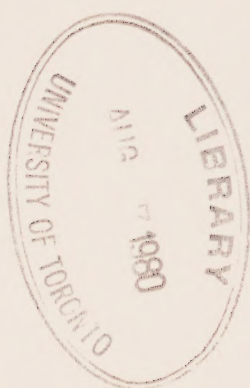


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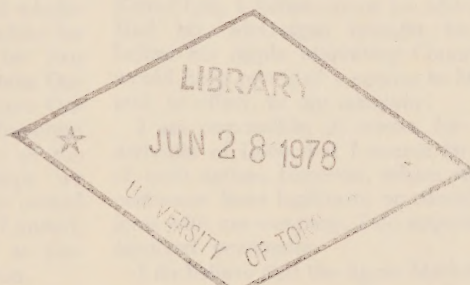


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Ministry of Agriculture and Food Annual Report, 1976-77



Second Session, 31st Parliament

Tuesday, June 6, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC



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LEGISLATURE OF ONTARIO

TUESDAY, JUNE 6, 1978

The committee met at 8:12 p.m.

MINISTRY OF AGRICULTURE AND FOOD ANNUAL REPORT, 1976-77

(continued)

Mr. Chairman: Members of the committee, we now have a quorum. Mr. Warnock, who is the gentleman with you?

Mr. Warnock: Mr. Hyman Soloway, my counsel.

Mr. Chairman: We're going to have a slight delay here; we haven't got a Bible to swear you in.

Frank M. Warnock, sworn.

Mr. Chairman: Sorry for the delay, Mr. Warnock. Would you like to go ahead, please.

Mr. Warnock: Mr. Chairman, Mr. Minister, ladies and gentlemen, I have a throat problem; if I don't project properly, would you please give me a shout and let me know. It will probably get worse as the evening goes on.

M. Loeb Limited is basically a food wholesaling company which owns the franchise for the Independent Grocers' Alliance for two areas in the province of Quebec, eastern Ontario, southwestern Ontario and northern Ontario. In addition, we own the IGA franchise for the province of Alberta and part of the Northwest Territories. However, since we operate in Alberta through a partially owned subsidiary, Horne and Pitfield Foods Limited, I will restrict my comments, as far as possible, to our eastern Canadian operation.

I think I should point out to the committee, if I may, that I have separated the brief from the appendices, because while some of the appendices are referred to in my brief, others are in there simply for information to possibly answer some of the questions you have asked of previous witnesses.

In Ontario and Quebec we supply 167 independent IGA stores and 193 other independent franchised stores. In addition, we supply on a regular basis approximately 2,700 independent, unfranchised outlets. You will note, therefore, that our method of operation is distinctly different from that of the corporate chains. Loeb's interest, attention and concern is directed to independents. At this time we have in Ontario approximately nine

stores which are corporately owned. Each of these stores is owned in this fashion only on a temporary basis and will be transferred as soon as possible as soon as independent owners are available.

The basic difference between an IGA wholesaler and an "old-line" wholesaler is that in the IGA we offer a total program, which covers financing, advertising, and promotion, supervision, store engineering, house brands, accounting, management services and every other aspect of business that can be beneficial to the independent retailer.

M. Loeb Limited appreciates this opportunity of appearing before you. We will answer fully all of your questions with only one proviso: If we believe that, for competitive reasons, any details are confidential, we will undertake to submit them to your counsel on that premise, if we may, Mr. Chairman.

The question of the IGA store in Wallaceburg and the allegations brought before this committee on May 24 by the member for Kent-Elgin, I believe must be addressed first. Had Mr. McGuigan brought his problem before his Apple Marketing Commission, he would have provided a service to his industry and, in effect, to my company.

I am responsible, of course, for all of the activities of Loeb, but I cannot be cognizant of each action. However, where suppliers or customers have legitimate or conceived problems with my company, I do appreciate being involved personally.

I do believe that the Apple Marketing Commission was instituted also for that purpose: as a regulatory agency, not simply as a price-setting mechanism. Over the years, M. Loeb Limited has had many contacts with the Apple Marketing Commission and other similar agencies, and in no instance have I ever heard of our being less than fully co-operative and responsible.

The practice to which Mr. McGuigan took exception is normal in Ontario and is carried on with the knowledge and the approval of the Apple Marketing Commission. To substantiate that statement I have attached, as appendix A, the letter dated May 26, 1978, from Mr. Keith Collver, a past chairman of the apple commission and currently chairman of its pricing committee.

That practice, in use since at least 1972, gives growers and packer-shippers, the right to allow a deduction from invoices covering shipments direct to IGA and other franchised stores as a service fee.

Mr. Renwick: Mr. Chairman, if I may interrupt, perhaps Mr. Warnock would be good enough to read that appendix A into the record at this point as a matter of convenience.

Mr. Warnock: Certainly. May I, Mr. Chairman?

Mr. Chairman: Please go ahead, Mr. Warnock.

Mr. Warnock: Appendix A is a letter from the Norfolk Fruit Growers' Association, addressed to Mr. Frank Warnock, President, M. Loeb Limited, et cetera.

"Dear Frank: We are attaching a set of invoices from your London branch indicating that the discount of seven per cent has been taken for deliveries made to franchised stores. It also indicates that no discount was taken off the deliveries made to your warehouse.

"This practice has been in effect for many years and its existence has been known by the Ontario Apple Marketing Commission. As a matter of fact, the Oshawa Group was advised on September 15, 1972, by the commission that they were permitted to take discounts as a service charge off the invoice price of apples delivered to their franchised stores.

"In all probability, your company also received this advice, if not by letter, by word of mouth from Mr. William Bond who was then manager of the Ontario Apple Marketing Commission. If we can be of any further help, please advise.

"Yours very truly, The Norfolk Fruit Growers' Association, Keith R. Collver, General Manager."

That service fee is directed to two ends. First, the risk in credit is limited for the supplier and the cost to the IGA depot is covered. Second, IGA depots are, therefore, encouraged to continue to look favourably upon deliveries from local growers, and probably that was the prime intent of the commission in approving this practice.

Mr. McGuigan questioned the value of the credit security attached to this service, but here surely he omitted to take into account that this charge not only covered the credit security, but also the cost of service by the depot which was, indeed, taken into consideration by the commission responsible for that type of arrangement. He might well have made an inquiry of the commission before

making this statement which I consider to be inaccurate.

It certainly must have been refreshing to the committee to note how very positively, politely and quickly Loeb's London produce manager responded to Mr. McGuigan Junior's complaint. Following discussions with Mr. McGuigan Junior, our local supervisor determined, with a view to the continuing relationship with Mr. McGuigan's firm, to continue the association, and in so doing, the simplest way was to have the grower add the service fee to the accounted price so that all IGA invoices for apple shipments direct to store could, for our accounting purposes, be treated in a uniform manner. We handle thousands of invoices weekly. Each exception gives rise to the increased possibility of errors and problems. Hence the desire to eliminate exceptions.

I might very easily second guess that decision. Basically, I personally abhor upcharges because of sinister practices that they can sometimes hide. However, I also know that exceptions are troublesome and costly, so possibly that was indeed the best solution. I can assure the committee that no material benefit accrued to Loeb because of that upcharge. The store and the produce manager felt that the higher price was justified in order to continue to do business with Mr. McGuigan, and we have not varied that association.

May I now address the major reasons for the investigation this committee is conducting? The growth in share of market and the awesome purchasing power of chain stores in this market must give all of us serious misgivings. In the past three years I have become increasingly concerned at the actions of two of the major chains, who between them control well in excess of 60 per cent of the Ontario retail food market. A year ago, as keynote speaker to the Canadian Grocery Distributors Institute, I said:

"If, in our enthusiasm or worse, we attempt to coerce suppliers to divert funds from, say, national advertising or research and development, then we have our heads in the sand. The leverage which almost any one of the seven corporations can exert is, of course, awesome, and if we use that leverage to attempt to show up our poor profits resulting from inefficiencies or price competition, then we must be willing to accept the consequences of our actions. We distributors also must be aware of the government presence. In an industry dominated by so few companies we must realize that we are naturally suspect by government. Therefore, we must, even more stringently, exercise self-discipline

constantly and consider carefully every ramification of our actions. As I see it; we must discipline ourselves rigidly, or the government will do it for us."

Again, a week ago, to the same group while on a panel with the Honourable Eugene Whelan, I repeated my concern and my warning. Again I quote: "Frankly, I have to admit from this podium that the actions of some of us in the past years have almost blatantly and openly invited government involvement. We have not been dedicated to governing and inspecting ourselves, and if we are going to run an industry, or a company which is ill-disciplined, in some cases irresponsible, and in many cases selfish, then ladies and gentlemen, we must expect even more, certainly not less, government involvement. May I say that if we do not heed the signs, we will richly deserve more government involvement and control."

In summing up that particular speech, I believe I justified my stand by saying: "Re the end which the consumer seeks and to which the consumer is entitled, we must be disciplined and dedicated. We must be willing, sometimes, to forgo our selfish desire and substitute for it the overall benefit of the industry, thereby assuring for ourselves and for our own individual companies a better climate in which to work and progress and, I submit to you, a better place in which to prosper."

Therefore, ladies and gentlemen, Mr. Chairman, this investigation comes as no surprise to me, nor should it to members of our industry. Unbridled power can be a destructive weapon and organizations which gain such huge shares of market as are outlined in appendices C and D cannot be permitted to use that power to weaken other segments of the food chain.

In speaking to the Rural Learning Association in March of this year, I readily acknowledged the need for farmers to group under the umbrella strength of marketing boards. Individual farmers could never hope to compete with the strength of their huge customers. Just as farmers need marketing boards to survive, so do independent stores. IGA, the Independent Grocers' Alliance, has, I submit, provided that strength. Understand too, ladies and gentlemen, that outside of the province of Quebec the sole major group of franchised food stores that is not under the control of the Weston group of companies is IGA. That too must be a sobering thought.

The profitable survival of IGA—no, the growth of IGA—is in my opinion essential to the survival of the independent. IGA offers the only really viable alternative to total

domination by the chains or chain-dominated groups. Safeway has been permitted to dominate the west in a manner that is frightening. Their store operation is just the tip of the iceberg. Vertical integration of Safeway has distorted that market to the point where supply of a product can even be difficult.

You are today investigating discount practices, but as the law-making authorities in our province, your sights must be set for the longer range. Consider, please, the ramifications that will accrue from the decisions that you will make. I have not belaboured you with figures but you will know that I can substantiate every statement I have made and will provide those data if you require them.

I must make it perfectly clear to you, Mr. Chairman, that I do not believe any food distributor in Ontario is acting either illegally or unethically. The discount/rebate system is, in and by itself, a catalyst to efficiency, and where the end price to the consumer is of vital importance, the encouragement of efficiency is essential. I subscribe that the food industry has indeed done a creditable job and would direct you to appendix H, a chart expressing expenditures for food at home expressed as a percentage of disposable income 1950 through 1975. However, it is obvious that any intensification of the present oligarchy that exists in food distribution and retailing can have a long-range negative effect on the small producer, the consumer and, as a natural consequence, the smaller retailer, placing them at the mercy of the remaining giants who would extend even further their domination over the industry.

Government control is, of course, in my opinion the last resort. I cannot believe that such a move would deliver better prices to the consumers. In fact, I would have to forecast the opposite if the industry is subjected to controls. However, I do believe that the government must exercise a watching brief over the industry and that further concentration of power in Ontario be discouraged.

Hon. W. Newman: Mr. Chairman, I have two or three questions here. You've covered the one case tonight, but on your IGA franchises, if I or any other producer took a product to any one of the stores that you have a handle on, have you ever automatically deducted the six per cent or seven per cent discount without prior knowledge, or without prior consultation with one of the boards, agencies or whomever you're dealing with?

Mr. Warnock: In this instance, yes, Mr. Minister, we would, because it is a recog-

nized practice that has been going on for years. It would be done automatically. As a matter of fact, that is the reason the six per cent was added, because our instructions to our accounting department are such in south-western Ontario that they deduct that automatically from all IGA invoices.

[8:30]

Hon. W. Newman: Do you require, of all the stores that you service, IGA or independents, a certain portion of their gross costs or net costs? Do you require a certain percentage be paid back to head office for certain operating costs?

Mr. Warnock: No. We invoice everything to them with a fee attached.

Hon. W. Newman: With a fee attached?

Mr. Warnock: With a fee attached.

Hon. W. Newman: Is the particular instance you're talking about in the case of Mr. McGuigan one in which you have made an arrangement with the apple commission?

Mr. Warnock: Yes, it is.

Hon. W. Newman: Do you have any other arrangements with any other marketing boards?

Mr. Warnock: I don't know of any definitely but I'm quite certain we would have, especially wherever there's a minimum price involved.

Hon. W. Newman: Let me ask you a further question. In the case of Mr. McGuigan, he took it to the store; he didn't know why this seven per cent or six per cent was deducted from what he received back. Would he have no knowledge of this? I assume that—

Mr. Warnock: We would have assumed that he did have. Until he called our produce manager in London we had no reason to think otherwise, quite frankly.

Hon. W. Newman: Then why would you suggest to him at that time, or to anyone else, and I am not suggesting there was anyone else, to just add it on to the price?

Mr. Warnock: My understanding was that our people in London wanted to continue to do business with Mr. McGuigan for reasons of their own and he wasn't willing to sell them at anything other than the recognized price. They made the decision on their own that it was worth the extra in order to have Mr. McGuigan's company supply them.

Hon. W. Newman: I assume if we called upon the chairman of the apple commission, who is here tonight, he would verify just what we're talking about.

Do you know Gerry Long, the chairman of the apple commission?

Mr. Warnock: I don't know him. No.

Hon. W. Newman: I see.

Mr. Warnock: Mind you, this question has been referred to him. I have been in touch with Mr. Wheatstone and was assured that it's quite normal.

Hon. W. Newman: Just following through on your statement about corporate power, you were talking about the two chains having six per cent or nine, I don't know the exact figure. Do you feel that any sort of control over corporate powers in the province of Ontario should be done at the provincial or at the federal level?

You have said you have stores in various other provinces. Quite obviously, Loblaw's does; I assume Dominion does, I don't know, and some of the other corporations. Do you feel it should be done at the provincial or the federal level?

Mr. Warnock: I believe at the provincial level.

Hon. W. Newman: At the provincial level. So you would accept a certain standard for the province of Ontario, as you have for stores in Quebec? Is that correct?

Mr. Warnock: Yes, we do.

Hon. W. Newman: And in Alberta?

Mr. Warnock: Yes.

Hon. W. Newman: And you think that each province should look after its own corporate control?

Mr. Warnock: I do.

Hon. W. Newman: I still am not clear. I'd like to pursue this. You deducted six per cent or whatever it was from Mr. McGuigan's apples at the store level. He received a cheque for six per cent less than the agreed-upon price. He apparently phoned your London office, or his son did, and said, "What's this all about?" You quite offhandedly said, "Add six or seven per cent to it." Is that correct?

Mr. Warnock: I don't think it was done offhandedly, to be quite honest. I think our manager there made a decision. As I said to you, I might second guess it, but I don't think I should.

He felt he wanted to continue to supply. The store manager in Wallaceburg was particularly keen in having Mr. McGuigan continue to supply and he persuaded our manager that this was the right way to go. It was a considered opinion. It wasn't an off-hand decision.

The easiest way to prevent any problems, in his opinion, was to add the six per cent so that all IGA invoices would continue to be treated in the same way.

Hon. W. Newman: Wait a minute. You say all IGA invoices. Just regarding Mr. McGuigan, or all your other suppliers that supply direct to your store?

Mr. Warnock: Mr. McGuigan is the only supplier I know of; there may be others, but I know of none. Our investigation hasn't revealed any more who have not agreed with the normal practice of the wholesale price less the six per cent permitted reduction as a service fee.

Hon. W. Newman: If you told Mr. McGuigan you'd give him \$100 for his apples and he got a cheque for \$94, you say, "Okay, add the six per cent on the top and you'll get \$100 for your apples." So Mr. McGuigan was really getting more than the agreed-upon price that you had sorted out with the apple commission, from your statement here.

Mr. Warnock: Yes, he was.

Hon. W. Newman: What happened when it was passed on to the consumer? Did you just add that on to the consumer price?

Mr. Warnock: No.

Hon. W. Newman: You absorbed that in his particular case only?

Mr. Warnock: In his particular case only because this is an isolated case. There are no others like it that I know of.

Mr. S. Smith: Mr. Minister, you were apparently unaware, you certainly didn't tell us that you were aware, that this was a normal practice of the apple commission to permit a six per cent discount or a seven per cent discount—it's been referred to both ways. You never led us to believe that you knew of this so-called regular practice. You seemed as surprised as anyone else when Mr. McGuigan announced it. Is it your view that this is a natural and regular practice? Is this the first you have heard of it? And is it legal?

Hon. W. Newman: The legality of it is that there is a minimum price set for apples, and it depends on the minimum price that was paid at that time. If it were below the minimum price set by the apple commission it would be up to them to report it, if there was a situation under the Farm Products Marketing Board Act. There is a procedure to go through, for the apple commission, if anything is done illegally. I am not saying there is, because I don't know the exact price of those particular apples at that time.

Mr. S. Smith: I am a little surprised by all of this. Mr. Warnock, the letter you have from Mr. Collver on the stationery of the Norfolk Fruit Growers' Association refers to invoices that are attached. Those invoices are not attached to the appendix you have given us. May we see copies of those invoices to make the appendix complete?

Mr. Warnock: I'll have them sent to you.

Mr. S. Smith: Are they from the Norfolk Fruit Growers' Association or from Mr. Collver's own firm?

Mr. Warnock: From the Norfolk Fruit Growers' Association.

Mr. S. Smith: You buy from the association, then. I see. Mr. Collver is the manager. I would be very glad to see those invoices.

Can you tell us, regarding the minimum price of apples set by the marketing board in this case, whether the discount was from time to time taken off the minimum price so that those apples were sold below the minimum price, once the fee or discount was taken into account?

Mr. Warnock: To be quite frank with you, I think in every instance, with the exception of Mr. McGuigan's situation, it was taken off the minimum price.

Mr. S. Smith: So it was taken off the minimum price. To come back to the minister for just a moment, apparently this is a regular practice. You haven't heard of it. We were discussing discounts in the House for quite a while; you spoke to your Farm Products Marketing Board chairman, you told us in the Legislature; you spoke to the food council, they didn't tell you about it—what's going on?

Hon. W. Newman: As far as the discount price is concerned, if the apple commission set a minimum price for apples, the minimum price should be paid for those apples. I think that is very clear in their bulletin. But as to the minimum price that we're talking about, I would much rather have Mr. Long, who is chairman of the apple commission, say if it is below the minimum price that was set.

There are certain grades and standards as far as apples are concerned which have some bearing on the price. There are certain times when, for instance, McIntosh apples should, if you are not aware of this, be moved out by January 1 because they do not have as good a keeping quality as some of the other varieties of apples.

Perhaps the apple commission did make arrangements with Mr. Warnock or with others to move out in volume McIntosh apples, during the fruit promotion program

where the commission, I think, verified that McIntosh apples were moved out in good time. There are certain situations that occur in which Consumer and Corporate Affairs inspectors from Ottawa will walk into a chain store and pick up 10 bags of apples and say, "These aren't up to grade and therefore they must come off the shelves," and we have to move them out.

Mr. S. Smith: I would rather direct my attentions to the witness. It is obvious to everybody in this room that the minister was as surprised as anybody else that the minimum price of apples has been discounted by this particular company and possibly by others.

Hon. W. Newman: If that is the case, then I think we should have the chairman of the apple commission either confirm or deny that situation.

Mr. S. Smith: Why don't we do that? Would the committee wish to hear the chairman of the apple commission briefly on this point and then return to Mr. Warnock?

Mr. Chairman: What is the opinion of the committee?

Mr. S. Smith: Perhaps the witness can be sworn and we can ask him.

Mr. Chairman: Mr. Long, could you come up here, please?

Mr. Long: Mr. Chairman, we are on the list for tomorrow morning. Our lawyer is going to be here at that time and that's when we were told to be here.

Mr. Chairman: Whatever you wish.

Mr. Long: I think we should follow the procedure. We've been waiting for two hearings now.

Mr. Chairman: I appreciate that, Mr. Long.

Mr. S. Smith: It was the minister who wanted to hear him. I will continue then to believe what I think is very clear and I'll go back to the witness whose testimony could not be any clearer, nor could the letter which he has entered in evidence.

Mr. Eaton: The seven per cent is off the minimum price, this is off the price.

Mr. S. Smith: The witness said it was off the minimum price.

Mr. Eaton: I said the letter—

Mr. S. Smith: Oh yes, the letter. Mr. Warnock, we have a little problem here, because I am with you philosophically but I am having difficulty with the instance we are discussing. Explain to us if you can why it is that once this discounting practice occurred he was told to increase the price. I take it

you have a standard procedure, as you mentioned for your bookkeeping and accounting, and rather than make a special case of J. McGuigan it was easier just to have him raise the price so that your staff could take the usual discount without having to keep an eye out for one special cheque from time to time.

Mr. Warnock: That's basically true. The moment you have exceptions you run into problems. But I think it is only fair to point out—and I certainly don't want to defend the minister any more than you want to defend me—but the total number of dollars involved in this discount in any given year is \$1,500. I don't think the commission would be deeply involved in what was going on any more than I was. It is a case of very small stores and all very small volume. The largest stores all operate on a different basis through the warehouse.

Mr. S. Smith: That's helpful to know. Could I ask you how you work with the independent stores? In this instance the Wallaceburg store is owned by your company. Let's leave that one aside and assume that your normal practice applies to all these stores. When you invoice one of your independent stores, not one that you own, you presumably charge them a certain price. Is it based on your buying price plus a certain markup, or do you negotiate independently with each grocer?

Mr. Warnock: It is on a regular price, whatever the wholesale buying is. The understanding, of course, is that there always is a fee involved for our services.

Mr. S. Smith: Then it is based on the buying price, presumably—your buying price.

Mr. Warnock: Exactly.

Mr. S. Smith: In an instance where you are taking a six or seven per cent discount, would the buying price in fact be the invoice price before the discount, or the invoice price after the discount?

Mr. Warnock: It would be the invoice price on the discount.

Mr. S. Smith: Including the discount.

Mr. Warnock: Yes. Including the discount.

Mr. S. Smith: Basically, the additional price wouldn't be passed on to the store owner; he would get the discounted price plus your fee.

Mr. Warnock: That's right. If this had been an independently owned store and we had said to Mr. McGuigan, "just add the six per cent," and then we had added a further six per cent to Mr. McGuigan's price, I can assure you the store would have been deeply upset.

Mr. S. Smith: They would know, of course, what the regular price was.

Mr. Warnock: Exactly.

Mr. S. Smith: When you describe in your statement the fact that this service fee is something which covers the cost to the IGA depot, I guess by that you mean the store, the local store.

Mr. Warnock: No. The depot is the warehouse.

Mr. S. Smith: But I take it you don't charge the fee when the item is going direct to the warehouse, but you do take away the discount when the item is going direct to the store. Is that what you said?

[8:45]

Mr. Warnock: This is a pretty complicated situation, as many marketing ones are. For example, we might use a \$10 case of apples. In the case of Mr. McGuigan, if he had been going in the normal practice, it would have been \$10 at the invoice price, less six per cent, so we would have paid Mr. McGuigan \$9.40. If Mr. McGuigan had been shipping to our warehouse, the commission regulations permit us to take 50 cents a case for the handling costs in invoicing and all the other aspects in the warehouse, so we would have then paid Mr. McGuigan \$9.50.

Mr. S. Smith: So if he had sent to the warehouse, he would have got \$9.50, by sending to the store he gets \$9.40, and yet you tell me that the reason he gets \$9.40 is that that 60 cents is a warehouse fee. What is this depot fee that's coming out of the 60 cents? I don't understand that.

Mr. Warnock: The 50-cent depot fee is absolutely ridiculous. You cannot handle apples for anything close to that.

Mr. S. Smith: I understand the 50-cent depot fee, okay?

Mr. Warnock: Yes.

Mr. S. Smith: That's the 50 cents off the case that we're talking about that goes to the warehouse. But we're talking about shipments to the store directly, where you take six per cent off, which, on a \$10 case is 60 cents. And you call it a deposit fee, but it doesn't go to the depot.

Mr. Warnock: It's a fee to the depot for—

Mr. S. Smith: For not handling the apples?

Mr. Warnock: For not handling the apples, but for handling every other aspect of it. You will recall, of course, Mr. Reading did indicate that there was some value to the credit security.

Mr. S. Smith: Yes, he was trying to be fair. He doesn't have anything in particular against your chain, I'm sure you understand that. I'm interested in some of the philosophical statements you make at the end where you and I seem to have a little bit of common ground. Would you like to expand on the so-called "sinister practices" that might be hidden by upcharges? Are you referring basically just to kickbacks to buyers, that sort of thing?

Mr. Warnock: Mainly, but of course, in a business as widespread as ours, and with the number of stores we have, the control of invoicing and prices is a very major part of our business. Our internal audit department zeroes in very closely on anything that appears to have an upcharge on it because we want to know the reason for that upcharge, and it is something I personally would prefer to have eliminated entirely because of some of the things that it can be hiding.

Mr. S. Smith: I'm going to run through some of the practices we have found with which you're obviously familiar based on your previous speeches. Does your firm have a listing fee or a special case allowance in order to have new products placed on your shelves?

Mr. Warnock: There's no set listing fee, nor set case allowance. I think in the appendices there is our listing form, where we ask questions of the intended supplier. That should be F—

Mr. S. Smith: Yes, I have it.

Mr. Warnock: —and G has some merit there too. If we had a product presented to us that had none of these values included, it wouldn't be very seriously considered by our buying committee. Therefore I think you'd have to say that we do indeed have listing requirements although we don't have any fixed allowance.

Mr. S. Smith: So you have these things, the warehousing allowance, co-operative advertising allowance, volume rebate, other allowances, introductory allowance, so there would have to be something reasonable in those spaces for you to consider a product.

Mr. Warnock: Absolutely.

Mr. S. Smith: Can you tell us whether there have been instances in which a firm, once established on your shelves, has decided it didn't wish to give some of these rebates in these introductory allowances, or co-operative advertising allowances, where you have threatened, or anyone in your firm has threatened, to delist that product either

for a brief period of time or on a permanent basis?

Mr. Warnock: I would imagine there have been instances like that. Quite frankly, if we had supplier A not providing funds of that nature and supplier B with an equivalent quality product supplying them, obviously you know the one we would buy from, and I think a witness previously mentioned the real key to the business is the net net price. It doesn't matter how we arrive at it, and that's the key. If one is giving a benefit and one is not, obviously the one who is giving the benefit is the preferred supplier.

Mr. S. Smith: Would you say there would ever be an instance where somebody would offer a lower price but not be willing to get into these co-operative advertising things and so on, where you would sooner have the higher-priced product because they would get into these schemes?

Mr. Warnock: No, I don't know of an instance like that.

Mr. S. Smith: I see on page seven you say: "I have to admit from this podium that the actions of some of us in past years have almost blatantly and openly invited government involvement." Would you like to give us some examples of those, please?

Mr. Warnock: I think they have all been already brought before this committee. I don't know that I want to particularly name any.

Mr. S. Smith: You were referring to the kinds of actions that have been brought before this committee? The actions that have been brought before this committee seem to be volume discounts. According to the people who have been witnesses here, they have all described these as normal ordinary business practices. Has there been anything brought before this committee that you would say blatantly and openly invited government involvement?

Mr. Warnock: I think the very fact that you felt it necessary to have this committee answers that question itself.

Mr. S. Smith: You mentioned the power that the larger chains have. Can you say very frankly that your firm has, in fact, been offered all the equivalent supplier discounts that Loblaw's and Dominion and others have been able to get? Do you feel that your suppliers have come to you with an equitable and equal offer of the very same promotional allowances and so on?

Mr. Warnock: No, I would doubt, quite frankly—and I have no way of proving this—that we would be able, in all instances, to

earn what we call maximum rebate. Many suppliers—I can think of only half a dozen off hand but there must be more—don't recognize IGA Canada as a buying entity and we point out to them that if they act in that way they are subscribing to an even greater concentration of power by not supporting IGA. I couldn't name individual companies because I don't really know offhand, but I am sure that in every instance we don't buy at the best net net price.

Mr. S. Smith: This is a very important matter, because I don't think anyone would seriously object to a genuine volume discount that's truly related to the benefits of the supplier being able to do business in volume. I think that's just one of the advantages a big guy naturally has and I think small guys are willing to put up with that and fight back with lower overhead or more personal service or heaven knows what.

The problem is when something is called a volume rebate but really is more related to the powerful hold that a big store may have on the retail market and isn't really related to the genuine benefits of such an increase in volume. Do you believe that the volume rebates, which you say you do not get as fully as some of the larger firms, are truly and legitimately and correctly related to the real benefits of doing business in volume, or do you believe there's something more going on?

Mr. Warnock: No, I think they are related to volume.

Mr. S. Smith: Strictly volume. You think the suppliers' benefit is directly proportionate to the amount of the volume rebate?

Mr. Warnock: I have no doubt in my mind about that at all.

Mr. S. Smith: Does the supplier come to you and offer you a list saying: "If you buy this much, this is your discount; if you buy this much, this is your discount, and this is the same list I have given to Dominion and I have given to Loblaw's and to Steinberg's?"

Mr. Warnock: Yes, usually he does.

Mr. S. Smith: Have you ever had to ask for such discounts without him offering them right off the bat?

Mr. Warnock: Yes, on occasion.

Mr. S. Smith: On those occasions, what steps do you take to confirm that he's offered the same discounts to Loblaw's and Dominion?

Mr. Warnock: Usually negotiation or confrontation between a buyer and a salesman, which is an ongoing, continuing business game that is played.

Mr. S. Smith: I see. You don't have the form to help protect yourself against the

Combines Investigation Act of having him sign whatever offer he has made to you he has also made to other people?

Mr. Warnock: We haven't used that practice, because under the present Combines Investigation Act there is no responsibility on us to ensure that is true. As you know, there are certain factors in the new Competition Act that may bring that in.

Mr. S. Smith: The onus is on the supplier and you figure that is his problem?

Mr. Warnock: Exactly.

Mr. S. Smith: Can we get back to the fact that they don't recognize IGA Canada? Why not? Why don't they?

Mr. Warnock: IGA Canada is owned by three corporations; the Oshawa Group, M. Loeb Limited and H. Y. Louie in British Columbia. While it is a corporate entity, we couldn't claim it is exactly the same as Dominion Stores or the George Weston group, and we don't claim that.

It is a marketing organization and, for example, we do market products on occasion on a sale, as we have on several occasions, right across the country. There are fewer in number now not recognizing us, but there are still some.

Mr. S. Smith: I see. I may want to ask you some more questions later on, Mr. Warnock, but I am sure other members of the committee want to ask you some questions, so I will stop for the moment. Thank you very much.

Mr. Eaton: I want to come back to the bit about the discount that you take, the seven per cent. Do you know specifically whether the price you are paying to the Norfolk Apple Growers' Association is the minimum board price or not?

Mr. Warnock: I wouldn't personally, Mr. Eaton, but I would assume it is. In the case of Mr. McGuigan, I am quite convinced—and you might want to ask him that as he could substantiate it better than I—I am pretty certain we took six per cent off the wholesale price as set by the commission.

Mr. Eaton: As set by the commission.

Mr. Warnock: I am pretty certain of that. I have no reason to disbelieve it at this point.

Mr. Eaton: I would like to get into the structure of IGA a bit in regard to your stores. Are some of the stores franchised and others that are independently owned just buy from you?

Mr. Warnock: Not if they are IGA stores. If they are IGA stores they are all franchised.

Mr. Eaton: They are all franchise operations in that case.

Mr. Warnock: Exactly. In Ontario, for example, they are either franchised by the Oshawa Group in their area or by M. Loeb Limited in our area.

Mr. Eaton: Do you co-ordinate advertising for IGA that would cover a wide area, cover all the stores in London, for instance?

Mr. Warnock: Yes, all of the stores in southwestern Ontario or all of the stores in eastern Ontario, and they usually are two separate and distinct, different ads.

Mr. Eaton: Do your suppliers of produce share in those ads through an advertising program at any time?

Mr. Warnock: I can't answer that. I don't think produce suppliers do, but they may on occasion. I can't answer that. If you would like me to find out, I will.

Mr. Eaton: What about other commodities besides produce?

Mr. Warnock: Oh, yes.

Mr. Eaton: They do just the same as the other stores that are in here?

Mr. Warnock: Certainly.

Mr. Eaton: Have there ever been any cases where you have refused to buy produce from a broker or a producer delivering fresh produce to you because he wouldn't give this six per cent discount that you are referring to?

Mr. Warnock: I think the six per cent refers only to apples and I know of no instance where we have refused delivery. The only instance where I know there has been any form of a problem was Mr. McGuigan's case. There may have been others, and in all likelihood they would have been settled by the commission.

The normal procedure would be, if there is a difference of opinion on pricing between the store and the grower, the grower would call his commission who would soon straighten us out if we were doing something incorrect. I am sure there have been other instances in the normal course of doing business, but I am also certain they would be settled very amicably and with a clear understanding between the commission and ourselves.

Mr. Eaton: So there is really no threat to growers that you know of that if they are not giving the discount they wouldn't have a chance to sell their produce, which has been intimated by a number of people?

Mr. Warnock: I think Mr. McGuigan is a case in point. If you want to put it that

way, he threatened us and we accepted his threat. I think that is exactly our stand.

Mr. Eaton: I wouldn't call his position a threat.

Mr. Warnock: He was going to cut us off his supply, how about that?

Mr. Eaton: In dealing with producers, how many producers would be selling direct to your warehouses or your stores? Have you any idea?

[9:00]

Mr. Warnock: Direct? Are we speaking of apple producers now?

Mr. Eaton: No, any fruit or vegetable producer of any kind.

Mr. Warnock: Literally hundreds.

Mr. Eaton: What are "literally hundreds?" Have you any idea approximately how many?

Mr. Warnock: No, I couldn't say.

Mr. Eaton: Could you get that figure for us? Other stores have offered to provide it to us.

Mr. Warnock: I could get you an estimate but, remember, I don't run a chain store operation. As the minister knows, independent farmers or store owners are pretty independent people. We have stores that deal with local growers that have no connection with us.

Mr. Eaton: All your purchases by the local stores which are all franchised don't necessarily go through the same step that Mr. McGuigan has gone through. Some of them are paid directly right at the store then, are they?

Mr. Warnock: There are some like that. I can get you an estimate of that figure which would be mighty close, if you would like, Mr. Eaton.

Mr. Eaton: I would like you to do that. Maybe you could break it down a bit to include those that are delivering on this kind of a discount basis on any produce.

Mr. Warnock: I would be happy to do it.

Mr. Renwick: Mr. Warnock, I have just a question on this transaction between Mr. McGuigan and your companies. Perhaps you would help me a little bit on the letter which came from Mr. Collver. I take it that the discount taken for deliveries made to the franchised store was a practice you believe was approved by the apple commission?

Mr. Warnock: I think it is fair to say I am assured it was approved by the apple commission.

Mr. Renwick: Since this matter was raised by Mr. McGuigan, have you consulted Mr.

Soloway to find out whether or not the payment of less than the minimum price in those specific instances, regardless of how small the amount involved, was or was not an acceptable legal practice?

Mr. Warnock: I haven't, quite frankly, Mr. Renwick, because I assumed when we met here it would be thrashed out in this committee and decided whether we were right or wrong.

Mr. Renwick: Could I turn to the method by which you do business? I need a little bit of help. Perhaps other members of the committee do also or maybe they are more knowledgeable about it than I am. What do you mean when you say you own a franchise? Does that simply mean that you have the exclusive right to supply that particular store under an agreement? Is that in substance what you mean?

Mr. Warnock: Exactly. IGA Canada Limited owns the franchise for Canada. Through agreement, certain areas have been franchised to individual companies. Ours have grown because we have in a period of time bought out other companies and acquired their IGA franchises.

Mr. Renwick: I am not making any value judgement in any of my questions. I just wanted to understand what it was about. As I take it, the 167 independent IGA stores are tied to your company through this franchising arrangement just as the 193 other independent franchise stores are tied through a franchise arrangement.

Mr. Warnock: "Tied" is probably a kind of strong word there, Mr. Renwick. They are associated with us, but it is a free association.

Mr. Renwick: All right. They are associated with you.

Mr. Peterson: Do other franchise stores use the IGA name too?

Mr. Warnock: The other franchise stores?

Mr. Peterson: Yes.

Mr. Warnock: No, I am thinking of Pinto Convenience Stores and we have a group called Much More Stores.

Mr. Renwick: They are associated with you through a formal arrangement called a franchise in both cases.

Mr. Warnock: That's right.

Mr. Renwick: Is there anything specifically that distinguishes those from the 2,700 independent unfranchised outlets? Is that just a custom business built up over the years with specific stores with which you don't have a prearranged association?

Mr. Warnock: Yes, it is. They would be unaffiliated independents. We would simply be selling product to them and no more.

Mr. Renwick: Right. You mention at the bottom of the first page that as soon as suitable independent owners are available those 17 directly owned stores would be franchised, presumably sold to someone and a franchise entered into. What are the qualifications of a suitably independent owner?

Mr. Warnock: That's a good question. Let me give you an example, if I may. We have recently opened a store in Petawawa, Ontario. We need to have a man who hopefully has some experience and definitely has a little money to invest in the business. You can't get into our operation, an IGA store, without an investment. You're looking for the two. You're looking for a man or a woman who can run a store, in our belief, successfully; who can take the still tremendous investment that Loeb will have, after he's made an investment of his own, and run it successfully.

Mr. Renwick: I can well understand from the drift or thrust of your statement that you feel yourself under significant pressure from the chains and particularly from Weston in this franchise store field. Is that a fair statement?

Mr. Warnock: No. I think, in all honesty, we do a much better job than Weston does in the franchised operations. Yes, we're under pressure from the chains, but that's the normal way of doing business. If you didn't want pressure, you wouldn't be in the grocery business, I can assure you.

Mr. Renwick: Yes, I appreciate that. Perhaps I didn't phrase that very well. Your presentation, particularly the quotations from your speeches, indicate that you have expressed, as have others, a real concern about the extent and degree of the concentration of the food marketing business in Ontario and that you're on the side of the angels in this.

Mr. Warnock: I don't think I quite feel that, sir. I'm not concerned, to be quite honest with you, with Ontario as it stands today. But when I look west and I see what's happened, particularly in Alberta and British Columbia, I begin to wonder if it isn't time we took a hard look at it in Ontario before we get there.

Mr. Renwick: I take it what makes your operation indistinguishable in substance from the retail chain operation is while you're on one side of the operation, that is supplier to the retail stores, and the chains are on the other side, being retailers themselves, each

of you offers a range of programs as an adjunct to the supply of food products for sale, which are in substance identical.

That is in the total program which covers financing, advertising, promotion, supervision, store engineering, house brands, accounting, management services, and every other aspect of the business, your association with your retail outlets is not significantly different from the association of the retail chains with their suppliers. Each of you exercises significant control, you over your retail outlets, the retail chains over their suppliers through these overall marketing programs. Is that a fair statement?

Mr. Warnock: No, I don't really think it is. We exert some control and an awful lot of influence over our stores, but they are independent. A dictum coming down from me, for example, would not have the same effect as one from the president of Dominion Stores with his stores. We have a group of independents and they are all entrepreneurs—I guess the minister being one himself is probably of the same nature—and they're pretty hard to handle sometimes. They are not corporate people and they have no desire to be corporate people. I can't agree with you that it is so similar. The services we provide are very similar. The authority we have is quite different.

Mr. Renwick: I'm sure our counsel can pursue the degree to which in substance the business contact between your retailers and yourselves is identical or substantially similar to that between the retail chains, on the one hand, and their suppliers on the other. The nexus is this range of programs which are offered as an associated part of the sale and purchase of food products.

Mr. Warnock: Maybe I could just give you an example. If you took our independent IGA store manager-owner in Tillsonburg and compared him with a chain store manager, our owner in Tillsonburg spends a substantial amount of money in the local community—much more than I as a chief executive officer of a company of our size would permit him to do if that were my right, and of course far more than a chain store would in that area. He is an entrepreneur and after all it is his money and he will spend it as he sees fit. Maybe that brings a difference, when you look at it that way.

Mr. Renwick: Are your franchise agreements substantially similar?

Mr. Warnock: Yes, they are.

Mr. Renwick: They're relatively identical documents?

Mr. Warnock: Yes, they are very similar.

Mr. Renwick: Perhaps I could ask Mr. Soloway, are there real obligations on M. Loeb in those agreements?

Mr. Soloway: Yes, I would say there are.

Mr. Renwick: Are they equal in weight or value reciprocally with those upon the retail stores?

Mr. Soloway: I would think the obligations and the benefits are mutual. I'm talking from memory without having a copy before me, but I'd be happy to supply you with—

Mr. Renwick: No, I'm quite sure if counsel thinks it's important to have a copy, I know you would supply it. I think my last question is related more to the independent, unfranchised outlets, those that are a significant percentage of your business relative to your franchise stores. Are you the exclusive supplier to those stores?

Mr. Warnock: In some instances, yes; in others, no.

Mr. Renwick: What distinguishes those stores from the range of programs which you offer them from your franchise stores? Why are some stores franchised or why are so many unfranchised? Does it matter whether they're franchised or not?

Mr. Warnock: If you take IGA, for example, it's a very specific program. There are store identification requirements. There are store size requirements, quality requirements, and a size that makes it practical to become involved in our advertising. A very small corner store would not fit in—as a matter of fact it couldn't afford to be in the IGA program. It has to be a volume operation. Prices in IGA are recommended at low levels competitive with chains, at a price at which a small corner store couldn't possibly afford to stay in business. He wouldn't have the volume. Some of them are simply people who prefer to be totally independent and stay that way.

Mr. Renwick: Could you give us some idea—again counsel can pursue it—what would be the relative percentage of sales to your franchised stores as distinct from your sales to your independent unfranchised stores?

Mr. Warnock: I can give it to you exactly. In Ontario 49.4 per cent of our total sales are to IGA stores.

[9:15]

Mr. Renwick: So in Ontario, it's 50-50. Despite the disparity in numbers, about 50 per cent of your business is to franchise stores and 50 per cent to—

Mr. Warnock: No, sir, that 50 per cent is IGA stores only.

Mr. Renwick: Right.

Mr. Warnock: Another three per cent or two and a half per cent is to our Much More Stores, which is a small group of smaller-sized supermarket-type stores. Then six per cent of our volume is to our Pinta stores in Ontario.

Mr. Renwick: Those are all franchise?

Mr. Warnock: That's right. In our so-called independent outlets—and the reason I called them "outlets" was to differentiate from the fact that they are not all stores. Some are military stores on bases—Canex. Others are restaurants and other sales and service types of outlets.

Mr. Renwick: Give or take the odd percentage point, upwards of 60 per cent is done through your stores which are associated with you on the basis of these franchise agreements?

Mr. Warnock: Exactly, sir.

Mr. Nixon: Mr. Warnock I have been very much struck, impressed and interested in the quotes you provided in your remarks. I want to ask your views on one or two of them. The first one is: "I have become increasingly concerned at the actions of two of the major chains." Are you speaking as the president of M. Loeb, as a consumer, a citizen of Canada? What concerns you? Are you afraid they're pushing you out of the market?

Mr. Warnock: When I look west and I see the growth here, I get concerned.

Mr. Nixon: I look at the figures you provided. I'm not sure why you provided them, but they're quite significant, particularly when you look at the market share of IGA. Somebody's got you under pressure.

Mr. Warnock: Right.

Mr. Nixon: You're dropping in the Ontario market and the national market. In Toronto, in 10 years you've gone from six per cent to two per cent; in Ottawa, from 44 to 15 per cent; in Hamilton, from five to three per cent; in Windsor, from nine to two per cent; in London, from 10 to zero per cent. Do you feel that the major chains, Dominion and Loblaws, and to some extent Steinberg's—although in some markets Steinberg's is not doing very well either—do you feel that they are somehow, under our laws, exercising unfair competitive advantage?

Mr. Warnock: No, not unfair; no question. I don't make any contention that they're being unfair. I think they have the advantage of size, and this advantage is considerable. The choice of locations is one that is a

very difficult one for IGA—that is, to obtain suitable locations.

Mr. Nixon: They bought two of your locations in London.

Mr. Warnock: Yes, two in London, I guess, and four in Ottawa, I believe.

Mr. Nixon: If you hit something good, they're in a position to recognize that and simply pre-empt it.

Mr. Warnock: No, not these that they bought. That was a buy and sell arrangement between M. Loeb Limited and Loblaw's that had nothing whatsoever to do with any other aspect of the business. It was just a buy and sell arrangement prior to my joining this company.

Mr. Nixon: The thing that got this committee going was the information and the questions in the House on what you call a discount rebate system. You say it is, by itself, a catalyst to efficiency. In other words, you're not critical of that at all. Yet you say, "If we use that leverage to attempt to shore up our poor profits resulting from inefficiencies or price competition, then we must be willing to accept the consequences." You say, "The actions of some of us in past years have almost blatantly and openly invited government involvement." I doubt, because of your other comments, if you're referring to the so-called rebate system.

Mr. Warnock: I think what I was referring to—I was, definitely—was using that market power to enforce increased rebates that would be transferred from other areas of the business. I'm in kind of a unique position, Mr. Nixon. I am one of the few people who have worked on both sides of the desk. I have been a senior executive in two supplier companies, so I speak with knowledge of both sides of the desk. Now that I'm on this side of the desk, I guess I'd like to have all the money in co-operative advertising and not in national advertising, except that I realize that in the long range it's very dangerous. That's the kind of pressure I was referring to.

Mr. Nixon: The representative from Dominion indicated that when they have an agreement involving a rebate or a deduction, they do their best—and he was quite clear about this—to see that is not passed on to the primary supplier.

I suppose all of us have certain conflicts of interest. Mine is that I am a farmer, although I don't supply much to the retail stores. I'm quite interested in his statement that they take action, through their policy, to see that it is the "middleman"—that phrase

that farmers use frequently—who takes the reduction in his profit. Of course, the producer is often protected by a marketing board. We're quite interested in the style of that protection. We'll get to that tomorrow.

I used to be a milk producer—and maybe I will be again—and the marketing board certainly protects us. The dairies get the squeeze on them with a 27 per cent discount, for example, if they have the honour and pleasure and convenience of supplying one of the major chains. Do you make an effort to see that your primary producer, with the exception of a few of the apple producers, are not required to pay this deduction, this kickback?

Mr. Warnock: I don't know how you could do it. I'm not sure I know what a kickback is, to be quite frank with you.

Mr. Nixon: I keep using the wrong word here. What do you use?

Mr. Warnock: Discount or rebate.

Mr. Nixon: Yes, discount and rebate. You say you're on both sides of the table and it's your concern, and your duty now surely, to maximize your profit. That's understandable. Does it concern you that the discount rebate system may impinge on the primary producer rather than that famous middleman that we're always accusing of ripping off the consumer and the producer?

Mr. Warnock: I suppose in reality very little of our business is done close to the primary producer. In the area of fresh fruit and vegetables, of course, it is, but the majority of our business is in dry groceries or in meats where we're dealing with processing plants. I don't know how we could attempt to protect the primary producer, because usually the person we're dealing with is a pretty major concern. It's an Aylmer—

Mr. Nixon: Like Jim McGuigan Incorporated.

Mr. Warnock: Mr. McGuigan, right. Obviously, I would be very concerned if any of the major people found out how he handled this and maybe they'd do the same thing with us.

Mr. Nixon: That's interesting. You indicated that we ought to remember that the gross total in the discount rebate for apples was only \$1,500. At seven per cent, that's not many apples.

Mr. Warnock: Remember, as I said, we're talking about only four or five small stores in total, and only drop shipments by local suppliers. The balance would come through our warehouse operation.

Mr. Nixon: You indicated the acquisition of stores by Loblaw's occurred before your present responsibility. Is there pressure on—you probably can't answer this, but are they making offers all the time to you or your franchisers for their locations and their goodwill and their stores and so on?

Mr. Warnock: Not now, no. They may have done so years ago, but not now.

Mr. Nixon: We're interested in this. The beginnings of Loblaw's were interesting because the farmers used to have a chain of stores across Ontario and they hired a guy named Loblaw to manage them. I think in about 1919 or 1920, the farmers had gone broke and Loblaw owned the stores. That's a part of history. Even in the village of St. George, there used to be a farmers' store managed by a Mr. Loblaw, who is no longer with us. It's quite an interesting beginning. Talk about an entrepreneur—he certainly had the skills. Was your business experience entirely in Canada?

Mr. Warnock: No, we have two divisions in the United States. We had three.

Mr. Nixon: One of your statements here says: "The actions of some of us in past years have almost blatantly and openly invited government involvement." What kind of involvement have you got in mind? Is it something comparable to the American regulations which really do not permit this program of discount rebate systems, I understand, but make the dealings much more at arm's length?

Mr. Warnock: Yes, I am comparing it to the US regulations. If you look at western Canada, Alberta in particular—I shouldn't say in particular, but particularly to me because we have an operation there—there used to be three vegetable and fruit canneries in Alberta. There is now one and one only which is owned by Safeway. We sometimes have a problem in Alberta in securing supplies because Safeway has unquestionably a stranglehold on the market. We have difficulty getting locations in Alberta because of Safeway's power. Safeway, as you will remember, was curtailed for a five-year period by combines action from the federal government, which gave some breathing space, but that five-year period is up.

Mr. Nixon: How did Safeway take that over to the extent it did?

Mr. Warnock: If a company were to introduce a product into the west today, even a major concern in Canada, and if they didn't get Safeway, they might as well not take their product out west. They can forget it as it will cost them far too much money to get the

share of the market that the number two retailer has in Alberta, which is my company.

Mr. Nixon: I understand the American controls, which you are no doubt more familiar with than I am, are federal. Why is it you recommended to the minister in response to his questions that it ought to be the province that takes the lead?

Mr. Warnock: Personally, I think one of the problems in the US is that it is federal, but markets are so very different. Our markets are distinctly different in Canada. I don't necessarily feel that what we would want in Alberta would be what we would necessarily need here in Ontario or the Maritimes. The province of Quebec is a totally different market. The share of markets in Quebec is very different because the independent store in Quebec is still very active and, as you know, is supported by the Quebec government and has been for many years. I won't make a pitch for beer in the independent stores tonight, but I would love to see it.

Mr. Nixon: I will just wind up. You are saying that really unless something happens here, the market is going to be more and more taken over by the two giants. For example, in 10 years in Toronto, Dominion has gone from 30 to 48 per cent of the market, in Ottawa from 11 to 25 and in Hamilton from 33 to 38. If that rate of growth continues, and it is astounding, then we are going to have the same result here with one exception. We have two big ones.

Mr. Warnock: If you project the figures, that could very well happen.

Mr. Nixon: You seem to be almost appealing for government intrusion, although you warn about it. I sense you are almost asking government to get involved—

Mr. Warnock: No.

Mr. Nixon: —to maintain competition in the food field. You even say "consider the ramifications that will accrue from the decisions you will make."

Mr. Warnock: Right.

Mr. Nixon: I thought you might give us your consideration of those ramifications. You just sort of stopped there.

Mr. Warnock: We in business are pretty disciplined at times. I know it doesn't seem like that.

Mr. Nixon: I am not sure what your message is. It seems to be a good free enterprise statement, such as, "Unless we look out for ourselves as a business, the government is going to move in." But you say so often here almost, "If we don't do differently, the

government should move in." There is no indication that your major competition—I wouldn't direct this at you—has any idea of doing differently. Why should they break up such a marvellously good thing?

Mr. Warnock: I can't answer you why they should break anything up, but I think the government should realize it has tremendous powers without becoming directly involved in business. I will give you an example, if I may, Mr. Nixon.

Mr. Nixon: I would like that.

Mr. Warnock: Two years ago we were involved in a suicidal price war. No one was particularly concerned, although as a provision for bad debts we started to move in the amount of \$30,000 each month over and above our budget because of the pressures that were being put on some of our independent stores. We did have some independent stores that went to the wall during that suicidal price war. Then the minister stepped in very quietly and did something I have never been involved in before. He called into the same room—

[9:30]

Mr. Nixon: Are you talking about William Stewart?

Mr. Warnock: No, no, this gentleman right here, William Newman.

Mr. Nixon: William Newman?

Mr. Warnock: —consumers, processor organizations, the major chains, and didn't exactly say that if you guys don't straighten this out, we will be in to control you.

Mr. Nixon: He said you had to stop this competitive price cut?

Mr. Warnock: Because we were disturbing several of the marketing organizations behind us. For example, we were buying eggs in the United States because we were selling large-sized eggs underpriced, and the processors couldn't give away the other-sized eggs so we were upsetting the whole market. It amazed me how very quickly, without any collusion, discussion or anything else, all of a sudden, we cleaned up our act because we didn't want government involvement.

Mr. Nixon: So you feel we don't need regulation, you just need a kind of ministerial tsar.

Mr. Warnock: Threat.

Mr. Nixon: Because it says on page eight, "Unbridled power," and I have a feeling you mean your competitors have unbridled power, "can be a destructive weapon and organizations which gain such huge shares of market"—I should indicate that it's rapidly

expanding—"as are outlined in appendices... cannot be permitted to use that power to weaken other segments of the food chain," i.e., you.

Mr. Warnock: No, not only me, small producers as well.

Mr. Nixon: Are you saying what you mean there, when you are talking to government, is that it is the back room of the minister's office, the woodshed of the minister's office?

Mr. Warnock: No.

Mr. Nixon: What kind of regulation should we be looking at then?

Mr. Warnock: I think you should take a look at where maximum share of market should be permitted. You should definitely take a look at vertical integration and see whether that is beneficial.

I remember a gentleman who was here told you a tremendous story about milk and you were all delighted with it, particularly Mr. Smith. He was talking about his own dairy. If I had been Tom Bolton, I wouldn't have told you about any discounts in milk either, because why should I tell my competitor who owns his own dairy what I am getting for milk. For that reason there's no way I would have told you. But if I had been the gentleman from Loblaw's, I would have told you about the milk business because I own, probably, the second largest dairy in Ontario.

Mr. Nixon: Do you think we should be examining the American example of the control of competition more closely?

Mr. Warnock: No, I don't think so.

Mr. Nixon: You don't like that style?

Mr. Warnock: I don't think it's right for the country, it has been bad for the United States in certain instances.

Mr. Nixon: You mentioned the controls in Quebec. What about those? Have they got a lesson for us here?

Mr. Warnock: No, there are no controls that I know of in Quebec. There is encouragement to the independents, support and encouragement.

Mr. Nixon: Beer.

Mr. Warnock: And wine now.

Mr. Nixon: Maybe the minister will consider that matter. That's all. I found your testimony extremely interesting. Thank you.

Mr. Poole: Mr. Warnock, may I ask you please whether you consider the main difficulty you find with Safeway in Alberta is caused by vertical integration?

Mr. Warnock: No, I would have to admit, in my own personal opinion, it's a combina-

tion of the huge share and concentration of the market. When you look at the prairie average, it doesn't really indicate the position, say, in a Calgary or an Edmonton, which is even higher. Their ability to eliminate competitors from new sites in the growing Alberta area is probably the greatest threat.

Mr. Poole: Does Safeway own its own milk processing plants in the province of Alberta?

Mr. Warnock: Yes, it does.

Mr. Poole: Thank you.

Mr. Yakabuski: Mr. Warnock, a number of questions and a lot of ground have been covered before but I would like to go over a few areas. As one of the other members stated, you seem to have a great fear of the giants getting a larger and larger share of the market, which you feel, I am sure, will be detrimental to the consumer. What would the reason be that Dominion, for example, grew as it did in such a short period of time when it had competition from Loblaw's, Steinberg's, and yourselves? How can you account for such tremendous growth with such competition all around?

Mr. Warnock: Dominion is a very efficient organization. They have priced very competitively. They have advertised very well. They are a highly successful company who, frankly, deserved to get where they are.

An hon. member: That's a very interesting answer.

Mr. Yakabuski: The two giants own all their stores, do they not?

Mr. Warnock: No. When you talk about the two giants, I presume you are speaking of Dominion, who do indeed own all their stores, and Loblaw's. But are you speaking of Loblaw's or Weston? Weston in Ontario comprises Loblaw's—of course, their largest organization—Zehr's and another outfit called Gordon's. They also have National Grocers, who are franchised operators similar to ourselves. So if you take the total amount, you are looking at not only Loblaw's, but a significant portion in other operations.

Mr. Yakabuski: Loblaw's have quite a number of subsidiaries then, but Loeb has many different categories. You have your 167 IGA stores and they are franchised. You have M & M, which only account for about three per cent, and Pinto which accounts for only about six per cent. How old is the Pinto organization?

Mr. Warnock: It is about four years old.

Mr. Yakabuski: What about Supersave? Who supplies Supersave?

Mr. Warnock: I believe that is National Grocers, a subsidiary of Weston.

Mr. Yakabuski: Lucky Dollar?

Mr. Warnock: National Grocers, a subsidiary of Weston.

Mr. Yakabuski: So in some aspects, Loeb and the Weston group have many similarities.

Mr. Warnock: In some ways, we do.

Mr. Yakabuski: Your franchised stores are dealer owned, aren't they?

Mr. Warnock: All but nine of the franchised stores are independently owned.

Mr. Yakabuski: They have some voice in policy, advertising et cetera, so far as the Loeb company is concerned?

Mr. Warnock: Yes, they do.

Mr. Yakabuski: What about the other independents? You have 193 other independent franchised stores.

Mr. Warnock: That includes Pinto and M & M stores.

Mr. Yakabuski: Do you extract a weekly, monthly or bimonthly advertising fee from those?

Mr. Warnock: From the Pinto and M & M stores? No.

Mr. Yakabuski: Would you encourage an operation whereby the dealers, or your franchised stores, owned your company, where it would be dealer owned?

Mr. Warnock: Many of them were, and some still are, major shareholders in the company.

Mr. Yakabuski: Don't you think that could result in some areas, in the smaller towns perhaps, in better prices for the consumer?

Mr. Warnock: I doubt it very much, because I happen to think the most efficient way to do business is with a public corporation. I don't believe, quite frankly, sir, that co-operatives are the most efficient way to do business.

Mr. Yakabuski: Part of the Weston group and the Loeb group act, as Mr. Nixon said, as the middleman?

Mr. Warnock: Yes, it's true.

Mr. Yakabuski: And for years, everybody looked upon the middleman as the real culprit in so far as high food prices are concerned. Is that a myth?

Mr. Warnock: I think it's a total myth, personally.

Mr. Yakabuski: You can say that without fear of contradiction?

Mr. Warnock: Oh, I'm sure I could be contradicted, but I wouldn't agree to the contradiction.

Mr. Yakabuski: Well, making it stick.

Mr. Warnock: I'm sure it couldn't be made to stick, sir.

Mr. Nixon: Mr. Yakabuski's a retailer, you know. It must be the middleman who's the villain, eh?

Mr. Yakabuski: Oh no.

Mr. Warnock: I wouldn't think, Mr. Yakabuski would have a conflict of interest in questioning me, would you, sir?

Mr. Nixon: I hope not.

Mr. Yakabuski: Getting back to Mr. McGuigan and his famous apples, you mentioned the commission and you said the normal thing for him or his firm to have done would be to go to the commission and complain.

Mr. Warnock: That's what I would have thought.

Mr. Yakabuski: We've been told at this committee time and time again that the grower and the producer will not lodge complaints for fear of reprisals, and I think this was more or less the tone, if I recall correctly, in which Mr. McGuigan dropped his sputtering bomb here on May 24.

Mr. Nixon: No wonder—you accused him of selling at below the legal price.

Mr. Yakabuski: He provided the committee with copies of his January 1978 invoices and it would appear that he took his half-ton truckload of apples into your IGA store at Wallaceburg in each and every week of January. On February 3, you, or Loeb's, I guess, sent him a cheque with a remittance statement whereby you deducted \$14.16, amounting to six per cent. In your statement you said that—

Mr. Warnock: Mr. Yakabuski, you just made mention of the allegations about fear of reprisals, but surely to goodness Mr. McGuigan's case proves that there was no fear of reprisal? We're still doing business with Mr. McGuigan. We corrected the problem he felt he had immediately he called. Where was the reprisal in that? If anybody lost out it was Loeb.

Mr. Nixon: You indicated—

Mr. Warnock: That's right, he might have cut us off. As a matter of fact, I think that's what he said, that if we didn't pay the full price that he thought he was entitled to, he'd cut us off. There was no fear on Mr. McGuigan's part.

Mr. Yakabuski: We've been told time and time again that there are not one, there are not two, but there are dozens of—

Mr. Mancini: He should have charged you six per cent.

Mr. Yakabuski: —producers and others in this province who would come forward to this committee but it's because of fear of reprisals that they will not; they will provide that information to our counsel but not to the committee.

Mr. Warnock: Mr. Yakabuski, with your permission, maybe I could answer that if the chairman would like, and I would like to read into the record a letter that we have sent to every supplier, 500 of them. If you don't need it read into the record. I don't care, Mr. Chairman, but I think you should look at it. We have actually urged them to come before this committee.

Mr. Riddell: When was that sent?

Mr. Warnock: They started going out yesterday. They won't be finished until the end of the week. May I read it into the record, Mr. Chairman?

[9:45]

Mr. Chairman: Well, Mr. Warnock, we're rapidly running short of time and we have Mr. Wolfe here. I would like to remind the members of the committee, we've got 43 minutes left. I should also like to remind you that the time left for each of the parties is PCs, 28 minutes; Liberals, two minutes, and NDP, 25 minutes.

Mr. Yakabuski: May I have two of those PC minutes?

Mr. J. A. Taylor: Getting back to this particular matter—

Mr. S. Smith: We have more time than that.

Mr. Chairman: You ask the questions; you get the answers.

Mr. S. Smith: Discussion within the committee is not questioning the witness.

Mr. Yakabuski: Don't I have the floor?

Mr. Chairman: Yes, go ahead.

Mr. S. Smith: You're really that frightened, are you?

Mr. Chairman: He's not frightened of anybody.

Mr. S. Smith: When I ask him questions, he's not the witness.

Mr. Chairman: You're still taking up your time.

Mr. Yakabuski: Mr. Warnock, this took place in January 1978 and Mr. McGuigan came before this committee, I believe, on May 24, some five months later. You have said in your statement it's a practice that's been prevalent in the trade, not only in 1978, but for many years. You can answer this or you don't have to answer it. Don't

you feel that Mr. McGuigan must have had knowledge of this kind of practice going on long before 1978?

Mr. Warnock: I can't answer that. I don't know what Mr. McGuigan would know about it.

Mr. Yakabuski: What would it appear to you? Would other people in the industry be aware of this practice going on before January 1978?

Mr. Warnock: Yes. We have suppliers who are very much aware of it and have been for years. They were supplying us in 1972 or thereabouts, I suppose.

Mr. Yakabuski: It surprises me that Mr. McGuigan wouldn't be aware because he seems to be a very efficient operator and producer.

Mr. Warnock: I couldn't answer for Mr. McGuigan.

Mr. Swart: I'll be very brief. I want to establish—maybe it has been established but I'm not clear about it—the percentages of the market which are given in your appendix. Are these related solely to IGA or do they include all of your franchise stores as well?

Mr. Warnock: No, IGA only.

Mr. Swart: Would you give us comparative figures for your share of the market? Are you losing any share to the chains? When you were giving us these figures before, I had never seen a company that seemed to be going down the drain so rapidly where the manager seemed to be as happy as you were about the system. I would like to know the overall picture, not just IGA stores per se.

Mr. Warnock: IGA's share, if I recall correctly, in most of our areas has stabilized and in two areas has started to improve substantially. Possibly, the picture's not as bad as you look at there. Also, the guts of our business and the future of our business is IGA. For me to interpret and say that since 50 per cent of our business is IGA, therefore you can double these figures, would be misleading you badly. Fifty per cent of our business in round figures is IGA, but that is the guts of our total business.

Mr. Swart: It has actually been decreasing substantially in recent years, then?

Mr. Warnock: It has in the past.

Mr. Swart: But this doesn't represent your share?

Mr. Warnock: There were some footnotes there where I indicated to you there was a transfer of stores to Loblaws which would have an effect on that.

Mr. Swart: I want to pursue this a little further to get any further information you might have with regard to suggestions, legislatively or otherwise, that would prevent the situation arising here that has happened in the west.

Mr. Chairman: One debate at a time, please.

Mr. Swart: It has already been quoted by you and you've stated in your statement that you're concerned about what is taking place in the west and that we have to stop it here before it reaches the degree it has there. You state you think the savings they're able to give and the reason they have got such a large share of the market are through volumes and that there is nothing illegal or immoral about what has taken place. But it looks as though the end result of this is going to be a monopoly by one or two retailers, certainly from the figures that have been put before us by you and others.

We are concerned, too, about seeing that that doesn't happen, that monopoly doesn't take place, because I am sure we would agree, when that takes place, when there is only one or two stores left, then the consumers are not going to get the benefit of the competition; there may be some cut-throat competition, and there has been over the last few years, but that is going to disappear in the near future. Therefore, I would like to have your views on how we prevent this from happening. If Dominion gets 60 per cent or 70 per cent as this trend would indicate, then the consumers are going to be held to ransom in another five or ten years.

Mr. Warnock: I think there are several things. I would prefer to see measures taken to encourage independents rather than measures taken to curb chains.

Mr. Swart: What measures to encourage them?

Mr. Warnock: I mentioned one earlier—

Mr. Swart: You mentioned handling the beer in the—

Mr. Warnock: —and I was not joking. I was deadly serious when I said that. That would be a tremendous asset to the independent store.

Mr. Swart: What else?

Mr. Warnock: For example, when Ontario is lending substantial amounts of money to local municipalities to improve the downtown areas, I think the Ontario government should put some restrictions in there as to what can happen to the independent stores that are in there, whether they be independent clothing stores or independent groceries.

I'll give you an example, if you wouldn't mind listening for a moment. In Tillsonburg, I believe the Ontario government is lending approximately \$2.7 million at a very good rate to improve the downtown area. Through no fault of the Ontario government it looks as if our independent entrepreneur in the city of Tillsonburg, where he has been for some 12 or 14 years, doing an excellent job, will be expropriated and a chain store will end up in downtown Tillsonburg. I consider that is the kind of thing that is driving the independents out of the market instead of encouraging them. So where provincial money is involved, I think there should indeed be some encouragement to the independent entrepreneur—as long as he can be efficient and successful, and the one in Tillsonburg, George Trottier, has one of the most efficient and profitable stores in our operation.

Mr. Swart: Just one final question: I think you did say that there is a real place for the government as a watchdog; I think that was your term earlier. Have you any suggestions to make about how this dog will watch? What should it be doing that it is not doing, because obviously we are into a situation that we shouldn't be into?

Mr. Warnock: I think our industry is a very unique one. We have a Ministry of Agriculture and Food, and I am delighted that we have that, although the federal department still remains simply agricultural. I think this indicates that ministry has a responsibility over the total industry. I think there have been many occasions where that ministry has straightened out problems and potential problems.

If you gentlemen foresee a market problem, and you can project the figures as well as I can, I think your watching brief—and I purposely didn't say dog, sir; I said watching brief—is obviously there, and the ammunition is there. Nobody in business wants more government involvement and regulation. The threat of government involvement and regulation sometimes can cure an awful lot more ills, in my opinion, than can the regulations themselves.

Mr. Riddell: Following up on that last question and reply, you were very much against more government involvement or regulations, but you prefer to be called into the minister's back room. What should the minister be saying to you when he calls you into the room?

Mr. Warnock: If it is the minister's back room, with the press and 200-odd people present—

Mr. Riddell: Well, forget about—

Mr. Warnock: Remember in business we call a spade a spade. It was a major room, the press was there, and each one of us was invited to make representation, which indeed we did do. There was no outspoken threat by the minister, but there was a very serious situation existing in some of the producer areas of the business because of our actions. The possibility that the minister would have to legislate us out of this problem was enough to make the industry get out of it on its own and very quickly. But it wasn't in anybody's back room.

Mr. Riddell: All right. His office, room, back room, whatever the case may be.

Hon. W. Newman: I don't have a back room, Jack, sorry. The Macdonald Block is wide open.

Mr. S. Smith: The question is—we shouldn't legislate. We should call them in and work together with them. What should we say to them?

Mr. Riddell: Yes, what should we say to them?

Mr. Warnock: Let me not speak for the minister, but any time that I have been involved with any government agency at the federal or the provincial level I have always found that we were willing to co-operate—I am speaking for business now—and that the ministry usually got what was essential, from their point of view. If we were damaging an area of the business then we straightened it out. We are talking now much more with government than we ever have in the past. But I think the minister or his officials could answer that better than I, whether they think we are co-operating properly. I think we are, I think we can, and when there is an implied threat of more government involvement it is amazing how disciplined we can suddenly become.

Mr. Riddell: I would like to pursue that, but time doesn't permit.

One of the things that came to light tonight, which came as a surprise to me, and I think it did to the minister judging from his expressions—either of surprise or embarrassment—and which certainly prompted him to go out to talk to the chairman of the apple commission just a few minutes ago—

Hon. W. Newman: Mr. Chairman, on a point of order: Those sort of remarks are not necessary.

Mr. Riddell: You don't know what I am going to say yet.

Hon. W. Newman: Just a minute; the apple commission will be here tomorrow.

Mr. Riddell: You don't know what I was going to say. I am simply going to say that the thing that came as a surprise to me was that the apple commission considers discounting the producer price and the minimum producer price as an acceptable practice. Mr. Warnock, you also indicated, in further questioning, that you thought other boards were also involved in this type of thing. Would you care to mention what other boards you believe consider this an acceptable practice?

Mr. Warnock: I am amiss if I indicated that. I intended to say that there could be other boards involved. I can't say they are not. I think I indicated I would check into that. If I said there were other boards involved I was wrong, but I believe there very well could be. I can't say there are not. But I think one thing you should remember is that if you have got an apple commission, don't please compare it with the Ontario Milk Marketing Board. In the Ontario Milk Marketing Board you have total and absolute control. The only way a dairy can buy milk is through the Ontario Milk Marketing Board.

You can buy apples from anybody on the street, and you can buy apples two months from now, below the minimum price; every time you drive down the highway and you stop in at the guy with the stand. When you are dealing with hundreds of independent apple growers—and I don't know how many apple growers there are in this province—don't think for one minute that the minister or any other man can totally control it. There is no way you can totally control it.

Mr. Riddell: But you also have a set producer price on apples.

Mr. Warnock: Exactly. But do you think the minister should go to bed every night thinking that everyone is going to charge that price?

Mr. Riddell: No, but to pay less than that set price is a violation of the Farm Products Marketing Board, as far as I am concerned.

Let me get on to another question, being that the Jim McGuigan case came to light. You said, "If that is the case we will add on six per cent." How many of the other growers did you go back to and say, "Add on six per cent"? Or, if this same thing is happening, if you go and discount a producer price, and the producer expresses some dissatisfaction and you say, "Okay, add on the six per cent", do you also go to the other growers and say, "Add on six per cent"?

Mr. Warnock: You are taking a hypothetical case, and I don't think I should answer that. I think I attempted to say that two men in our organization determined it was worth the additional price to continue to have Mr. McGuigan serve them. They made that determination. I could second guess it all night. But they made that determination and I don't think I should second guess them.

Mr. Chairman: Thank you very much Mr. Riddell and Mr. Warnock.

Mr. Riddell: I was just getting warmed up, Mr. Chairman.

Mr. Chairman: We have given you three minutes over the allotted time.

Mr. S. Smith: You are certainly generous, Mr. Chairman.

Mr. Chairman: Mr. Wolfe is the next speaker. Do you still have some questions, Mr. Eaton? Then Mr. MacDonald.

Mr. Eaton: The price that we are talking about in regard to applies—the apple commission doesn't set the producer price. The price that you consider when you are transferring those apples from your accounts to your stores out there—do you consider that to be the wholesale or retail price?

Mr. Warnock: I don't know, because we are just talking semantics really, Mr. Eaton. I guess we would call our price the wholesale price. That would be our own internal—

Mr. Eaton: You would call your price the wholesale price when it is going out?

Mr. Warnock: Yes, and the retail price we refer to would be the store price, selling to the consumer.

[10:00]

Mr. MacDonald: Mr. Warnock: my apologies for not being here for your original statement. I had a long-standing commitment with the most important people in the world, my constituents. They are like your consumers.

I just wanted to explore one area with you, regarding volume discounts. You said that they're not unfair, they're not illegal, but they are a concern to you. You are concerned with the growing concentration, even to the point of suggesting that one solution might be government fixing a ceiling beyond which any retail outlet couldn't exceed that share of the market.

I'd like to explore with you quickly, what role volume discounts play in that increased share in the market. Am I not correct that volume discount, by definition, means you get a bigger discount with the bigger volume you buy?

Mr. Warnock: Yes, definitely.

Mr. MacDonald: Does that not mean, therefore, that the biggest supermarket buying the biggest amount would get the biggest discount?

Mr. Warnock: Not necessarily. Theoretically you're correct, but I don't think that is necessarily true because, usually in the total figure, there's performance involved, and if you don't perform properly you don't necessarily get the total number of discounts and rebates available to you.

Mr. MacDonald: If you're getting into the package, that's what has bedevilled us because we get into these co-operative packages and there are so many variables in it we can't sort them out. As a theoretical proposition on volume discounts, the bigger the volume the bigger the discount, and we've been told that you're not violating the federal competition law if you don't give that same discount to somebody else who is buying a smaller volume.

Mr. Warnock: That's correct.

Mr. MacDonald: That's correct. Then, by definition, the bigger the supermarket, the bigger the volume it can buy, the bigger the discount it gets?

Mr. Warnock: No, because it depends on the scale. Usually volume discounts are on an ascending scale and they vary tremendously from supplier to supplier. Let's take hypothetical figures of \$500,000 of purchases, where you might get five per cent, and on \$1 million you might get 10 per cent. Usually suppliers are not silly enough to make their scales such that only one customer can get the maximum. There may be some instances of that, I don't know.

Mr. MacDonald: We've had testimony before this committee from certain large supermarkets as to the volume discounts they got and as to whether or not they thought that same discount was given to somebody else. The answer was if they were buying less they weren't necessarily entitled to as big a discount.

Mr. Warnock: That could be true.

Mr. MacDonald: As a theoretical proposition then on volume discounts, the larger the supermarket the larger the volume it can buy. This becomes a real weapon for increasing still more a share of the market because it is an advantage in its purchasing.

Mr. Warnock: It would be, actually, if major suppliers made their scales such that only one or two chain stores could receive these discounts. Usually, they know their market. They know the volume that they can anticipate, the volume they can encour-

age and the purpose of the volume discount from the suppliers' point of view, is that it is an incentive to buy their product. It isn't an incentive to get Dominion Stores the larger share of the market. So while you are theoretically correct, I think in practice, nine times out of 10 it would be wrong. It would be a pretty stupid manufacturer or supplier who set his volume rebate system that way, which meant that he would theoretically end up 10 years down the road with only one customer.

Mr. MacDonald: That's what you fear.

Mr. Warnock: I don't think that is going to happen.

Mr. MacDonald: There are the figures you gave us.

Mr. Warnock: There are two different questions. You can't relate the gross of market directly to the volume discount; I'm sorry, you can't. They are two different questions.

Mr. MacDonald: I don't want to totally relate it but I was trying to ascertain to what extent volume discounts by definition, the bigger the volume the bigger the discount, was one of the control mechanisms, one of the advantages that the larger supermarket had to get an even bigger share of the market.

Mr. Warnock: It could be if it wasn't properly scheduled and, this again as I mentioned earlier, I don't know if you were here, Mr. MacDonald, but I did mention there were some companies who still didn't recognize IGA Canada Limited. I thought they were very short-sighted and I thought they were doing the very thing you were speaking of now. These companies, I think, are remiss in their responsibilities and, indeed, they are contributing to the situation you were mentioning. But, generally speaking, volume rebates don't do it.

Mr. MacDonald: I'll pursue it when we get the Grocery Products Manufacturers of Canada.

Hon. W. Newman: I have one quick question, Mr. Warnock. You have an arrangement, quite obviously, with the Apple Marketing Commission. We will discuss that with the apple commission tomorrow, perhaps in more detail. But, with the arrangement you have with the apple commission in Ontario and whatever you work out with them, do you feel that the producers in the province are suffering as a result of that?

Mr. Warnock: No, sir.

Hon. W. Newman: Fair enough.

Mr. Chairman: Thank you very much, Mr. Warnock and Mr. Soloway, for appearing before the committee.

Our next witness is Mr. Wolfe from the Oshawa Group.

Mr. Wolfe: Mr. Chairman, I have brought Mr. Allister Graham with me. He is the general manager of the Ontario food division; he's also group vice-president of all our food divisions. I also have, on my left, Mr. Joel Goldenberg, who is our counsel.

Ray D. Wolfe, sworn.

Mr. Chairman: Does everybody have a copy of Mr. Wolfe's opening statement? Please go ahead, Mr. Wolfe.

Mr. Wolfe: Mr. Chairman, Mr. Minister, ladies and gentlemen, we are sorry that in the light of the record it is necessary for food distributors to be summoned so frequently to respond to inferences of malfeasance, conspiracy and collusion, but, nonetheless we welcome the opportunity to help solve the communications gap that seems to be the real source of so much misunderstanding.

Apart from the initiation of marketing boards, in the past 25 years the most significant changes in food purchasing have been an increasingly sophisticated program of volume incentives offered by manufacturers to distributors, the dramatic growth of corporate chains, and the growth of wholesaler-sponsored voluntary groups to ensure the continuing viability of independent merchants. It is in the latter area that Oshawa, the company we represent, has its greatest stake.

In Ontario last year, the retail sales of Oshawa's IGA associates and other wholesale accounts were estimated at \$270 million, while company-owned stores had sales of about \$250 million. Based on the Canadian Grocer market estimates for 1977, this would indicate a market share of between nine per cent and 10 per cent for Oshawa-supplied or Oshawa-owned food stores in the province.

Our company had its origin in Toronto in 1911 as a produce house, Ontario Produce, and until 1948 specialized in supplying domestic and imported fresh fruit and vegetables to chains, jobbers and independent merchants. In the late 1940s, when the corporate chains became big enough to handle their own imports, Ontario Produce elected to organize independent merchants in a voluntary group effort to compete with the larger operators.

To accomplish this goal, Ontario Produce, in order to broaden its product line, purchased a grocery wholesale house, Oshawa Wholesale, which in 1959, when class A shares were offered to the public, absorbed

its parent, and in 1951 Oshawa entered into a contract with IGA Incorporated of Chicago for an IGA franchise in Ontario. Other wholesalers across Canada were granted similar franchises over the next 10 years. These moves gave IGA supply depots the tools to supply not only product but a full range of merchandising and operating services to the independent food merchant.

The rest is history. Two hundred and sixty-six IGA stores in Ontario and 391 in other provinces, except Prince Edward Island and Newfoundland, demonstrate that independents, properly organized, can compete with the chains.

IGA supply depots provide these independent merchants with all of their needs including a private label program and recently a generic product program and a wide range of services—merchandising, multi-media advertising, retail counselling, personnel recruitment and training, financing, a decor package, accounting, public and consumer relations, real estate and engineering, and many others. With this support, independents have grown and maintained a competitive position in Canadian food retailing and today many operate the leading food market in their community.

In 1964 Canadian wholesalers purchased the IGA franchise rights from the American owners and formed IGA Canada Limited, to which all territorial franchises were assigned and continue to be honoured. IGA Canada Limited is presently owned by the H. Y. Louie Company Limited of Vancouver, BC, M. Loeb Limited of Ottawa and the Oshawa Group Limited in Toronto.

Its original function was to supply retail operational and merchandising know-how to its participating owners and their clients. Since this know-how has been absorbed and is being constantly updated by each supply depot on an ongoing basis, IGA Canada now concentrates on image-building programs such as uniform signing, exterior appearance, interior decor, and more importantly, minimum standards of performance for both its retailers and their supply depots.

In addition, it buys products for its participating depots in those instances where individual volumes are insufficient to qualify for maximum available rebates. It handles private label negotiations with suppliers, and monitors quality control. Its expenses are covered by member wholesalers who pay a small fee and a modest brokerage on purchases. Earned rebates, when received by IGA Canada, are returned to participating IGA supply depots and profit is disbursed by way

of dividends. In short, IGA Canada Limited is a non-profit service organization.

Oshawa had been a wholesaler for nearly half a century before opening its first corporately-owned food market. The move into retailing was motivated by a desire to learn retailing skills, to better guide IGA operators, field test operating and merchandising techniques and train potential dealers. Over 20 of our current IGA associates formerly were managers of Oshawa's corporate food stores.

During the course of this hearing many aspects of the purchasing practices of major distributors have come under scrutiny. In the following few paragraphs we will try to outline the basic terms which govern our supply relationships and address the issues raised during the committee proceedings.

The first is produce. Almost 93 per cent of our produce volume in Ontario is handled through our central warehouse. Supplies are obtained from various sources including local growers, packers, shippers and produce houses operating in the food terminal. The price is based upon negotiations between buyer and seller. Payment is based on the net invoice price and is made on receipt of invoice. The remaining seven per cent is drop-shipped at the stores. Arrangements for direct deliveries are made where growers are closer to the stores than to the warehouse.

Prices are usually linked to the Toronto market prices, less five per cent. With respect to the associated stores, we request five per cent for handling and billing and insuring payment to the grower. For corporate stores we request five per cent for providing consistently high volume outlets for selected suppliers. These arrangements are freely and openly negotiated and agreed. Half of the direct shipments to which I referred a moment ago are apples. This method of distribution provides a better quality product for the consumer, as there is less handling and less chance for bruising.

[10:15]

Since the early 1960s we have purchased apples at a negotiated price less five per cent. This percentage allowance was for invoicing as well as assuming the obligation for payment to the producer on behalf of the franchised store or the associated store; I use those terms interchangeably. In due course, as corporate stores were added and supplied from the same sources, this practice continued until the formation of the Apple Marketing Commission. At that time, following discussion with the commission, we were asked and we agreed to cancel the five per cent with respect to corporate stores, but

the commission recognized that the discount for collection and payment from the franchise outlets is a service charge.

On dairy products, this committee has raised the question of milk rebates. Like other distributors, Oshawa receives rebates on milk. In both IGA and corporate stores, the retail price of milk is below the invoice price. Yet even when rebates from suppliers are included, the gross profit on milk is still below the cost of store operations. This comes about for a simple reason—competition.

In the grocery products area, a variety of programs has been developed over the years by the manufacturers, both to facilitate more efficient production and win support from distributors for promoting their products. Typical arrangements are cash discounts, volume rebates, co-op allowances, introductory allowances or listing fees.

Cash discounts are reductions from the supplier's invoice which are offered in return for prompt payment. Most suppliers offer rebates in relation to the volume of purchases for any given year. Such rebates are based on a series of volume plateaus—the higher the sales, the higher the volume rebate percentage—which rise to a maximum set by the supplier. In this way, the production economies resulting from higher volume are shared with the purchaser who, through his merchandising activities, helps to generate the volume.

Suppliers pay volume rebates only when there is evidence that the required volume of product has been purchased. Allowances are often made available by suppliers for assistance in promoting their products. These allowances are generally related to the quantity of goods purchased from the supplier. In return for this, Oshawa, for example, will feature the supplier's product in newspaper ads, handbills, on the radio, set up aisle-end or point of sale displays and reduce prices. The price reduction represents the largest portion of that co-operative allowance.

IGA advertising appears in 69 papers every week in our trading area and Food City ads appear in 29 papers every week. Oshawa also distributes from 200,000 to 500,000 handbills in Ontario every week. Suppliers' products may be featured by either IGA, Food City or both. Suppliers monitor our performance in promoting their products and generally require proof of performance.

The high cost of introducing new products has been discussed in previous presentations and will not be repeated here. We believe that the cost and risks associated with the introduction of new products should be borne

at least partially by the supplier of the product. Suppliers also recognize this and offer introductory allowances. In the final analysis, the critical question on listing a new product is not how attractive the introductory allowances are, but will there be a consumer demand, will the product sell. We constantly reassess our product mix to be sure that it contains those items the consumer wants and we remove those products for which the consumer has shown little preference. We do not charge fees to suppliers to keep their products on our shelves.

In summary, we believe the various rebates and discounts result in lower consumer costs and, accordingly, it is our obligation to our customers to negotiate the very best arrangements that we can. In anticipation of your questions, some of which may require more detailed answers than I can provide, I have taken the liberty of inviting Allister Graham, group vice-president, food divisions, and general manager of the Ontario food division to join me. Thank you for the opportunity to appear at this hearing.

Mr. Chairman: Thank you very much, Mr. Wolfe.

Hon. W. Newman: I'll try to keep it brief. Do you ever deduct allowances without proper negotiations or without prior agreement with your suppliers?

Mr. Wolfe: No, sir.

Hon. W. Newman: When you operate your franchised stores across this province, do your stores pay you a percentage of their gross returns or do you bill them certain costs for your head office operations?

Mr. Wolfe: We charge them a fixed fee.

Hon. W. Newman: Five per cent or six per cent of gross sales or something like that?

Mr. Wolfe: It's something less than that.

Hon. W. Newman: What would happen if an independent person, like myself or any other person, as a farmer, brought in to your local store a certain commodity, say, 100 quarts of strawberries or whatever it may be at this time of year, and your local manager bought those and he quoted me a price of \$1 a quart? Would I get \$1 a quart, or would he automatically take off that what he owes to head office?

Mr. Wolfe: I don't quite understand the question.

Hon. W. Newman: If I as a farmer go to the local manager of the IGA because you are a franchise store or your local managers make a point of being friendly I shouldn't say this in front of all the other chains; I

am thinking of my local IGA store that we deal with from time to time in my own area—I am growing strawberries and want to deliver 100 quarts of strawberries or hopefully want to sell them to him and I say to him, "Look I need \$1 a quart for those strawberries," so he says, "Fine, I'll give you \$1 a quart," when that invoice goes through, it comes back to head office. Is that correct?

Mr. Wolfe: If you approach that dealer—I assume you are talking about a franchise store, an independent—if you go in there and make a private deal with him and collect from him, then that's your business. If you go in and make a private deal with him and ask that the bill be paid through us—as a matter of fact, I don't think that ever happens. The only time that growers approach our stores on their own, they generally do it to go in and sell for cash; otherwise, they negotiate with us or with our produce department and become what we call an authorized supplier, in which case we negotiate with them the terms on which they shall supply our stores.

Hon. W. Newman: Would your franchisee, the independent man, have to pay a portion of what he paid me to head office for operating costs?

Mr. Wolfe: No, sir.

Hon. W. Newman: They are allowed to make direct deals with a farmer?

Mr. Wolfe: We would prefer they wouldn't, but they do.

Hon. W. Newman: Because of the time, Mr. Chairman, I think I will pass. I would like to come back if you are going to bring Mr. Wolfe back.

Mr. Eaton: When you are buying from producers, do you at any time demand that you get a discount or you won't put their produce in your stores?

Mr. Wolfe: Are you talking again about fresh produce?

Mr. Eaton: Yes.

Mr. Wolfe: The arrangement is substantially as I outlined it, Mr. Eaton. Our first requirement is to get the very best quality that we can; we look for the top quality that is available. We will then negotiate with the supplier of that particular product, if he has sufficient volume, to look after us or look after part of our needs, and we will try to induce him to sell us—again, I say on the basis of the Toronto market price less five per cent, or at an agreed price less the five per cent.

Mr. Eaton: If he is going direct to a store in his area?

Mr. Wolfe: That's correct. If he is coming to the warehouse, it is based on the Toronto price.

Mr. Eaton: So in effect, the discount reflects something of his reduced cost of delivery to the local stores, or against the cost of delivering to Toronto.

Mr. Wolfe: By and large he would save the trip to Toronto, he would deliver in his local area and he would have the assurance of pretty good outlets to supply year in and year out.

Mr. Eaton: Have you ever refused to buy from any producers who wouldn't agree on a discount practice?

Mr. Wolfe: It is not a discount practice, it is a pricing practice. It is Toronto market price less five per cent. The Toronto market price can have a wide range.

Mr. Eaton: The basis on which you might refuse then would be that you could get that price less five per cent from another producer?

Mr. Wolfe: I don't think we have ever refused or have ever been unable to make a reasonable deal with a producer.

Mr. Eaton: When you are dealing with producers on fresh fruit and vegetables would you, in any case, ask them to share in advertising costs?

Mr. Wolfe: No, sir.

Mr. Eaton: That's not done with fresh fruit and vegetables at all?

Mr. Wolfe: Not at all, with the exception of the banana companies, but I guess you are not interested in them.

Mr. Eaton: Not particularly. What about the case of listing fees for fresh fruit and vegetables, there wouldn't be anything like that?

Mr. Wolfe: Not applicable.

Mr. Eaton: Is there any fresh farm produce that would be bought from producers or through a processor that would in any way get involved in these end-of-shelf deals that you might have or in-store promotions?

Mr. Wolfe: Well, in the perishables market, when you have a glutted market, we are very often offered truckloads of stuff at the end of a season, at prices that are much lower than at the height of the season.

Mr. Eaton: Are you participating in the Foodland Ontario program?

Mr. Wolfe: Yes, we are.

Mr. Eaton: In-store advertising. Are any producers or producer groups sharing in any advertising on that program with you?

Mr. Wolfe: In cost? Not to my knowledge.

Mr. Eaton: They are not, okay. Thank you.

Mr. MacDonald: Mr. Wolfe, I was a little struck with what appeared to be a difference of view between you and Mr. Warnock with regard to the fate of the independents. You say, on page three: "With this support, independents have grown and maintained a competitive position in Canadian food retailing," whereas all the figures he gave indicated a decline in their share of the market. Am I missing something? Is there a discrepancy?

Mr. Wolfe: Well, I don't like to disagree with my colleague. Perhaps we have a little different view, I have been connected with IGA for a few more years than he has.

There was a temporary decline in the growth of IGA which began with the inception of the price war to which someone referred earlier. That decline has stopped and the independent merchant is once again starting to grow in number and volume. If you look at the statistics, in almost every province, you will find the increase in the chain share of market coast to coast for the past three years is pretty well stabilized. In some cases it has gone down for the first time. Conversely the encroachment of the chains or the share of the chains has just about reached its peak. From here on, there is no place for the independent to go but up.

Mr. MacDonald: Well, I don't want to get into a dispute on the figures Mr. Warnock gave but they seem to be consistently indicating a decline. Are you suggesting the trend has been reversed in the last year or two?

Mr. Wolfe: Yes, sir, certainly within the last year and a half.

Mr. MacDonald: Within the last year and a half?

Mr. Wolfe: That's right. This is based on our own experience and if you look at the Canadian Grocer figures for chain shares for the last three years, you will find that trend has been arrested.

Mr. MacDonald: Why would your experience vary from that of Mr. Warnock? You are dealing in essentially the same sort of an operation with franchises wholly owned or associated stores?

Mr. Wolfe: I can't answer that. I am not fully familiar with Mr. Warnock's operation. I know our experience is encouraging.

Mr. MacDonald: On the dairy products, we have had testimony from the two large chains indicating—one flatly and assertively, the other in rather couched fashion—discounts are in the range of the mid-20s. Is that the kind of discount you get on milk?

Mr. Wolfe: Yes, sir.

Mr. MacDonald: Is there any case in your experience where a supplier has been cut off because he will not give you that discount?

Mr. Wolfe: Not to my knowledge. To the best of my knowledge we only deal with three suppliers in milk.

Mr. MacDonald: But in some of your smaller stores scattered across the province, are you not serviced by small local dairies?

Mr. Wolfe: I will let Mr. Graham answer that. He is more familiar than I am.

Mr. Graham: Yes, we do deal with some local dairies and there are some differences in terms of those rebates. In many cases, just as the reference was made before of an individual going in and dealing with a store, there are small dairies that go in and make a deal. He's local and the store owner is local and they have a different arrangement. In some cases they may not even go through us. Does that answer your question?

Mr. MacDonald: Right. Are you aware of any that were cut off because they wouldn't give an allowance you deemed satisfactory?

Mr. Graham: No, sir.
[10:30]

Mr. MacDonald: We may be able to get testimony on that before the hearing's over. I am curious about this very sizeable allowance in milk. I assume that the milk processor has certain costs to cover and therefore he must have enough to cover his cost to stay in operation, if he is giving a 26 per cent discount. He must have to go through a book-keeping arrangement of increasing his wholesale price by 26 per cent so he can give you the 26 per cent rebate. Otherwise, how does he survive?

Mr. Wolfe: With respect, I suggest that question should be addressed to the processor.

Mr. MacDonald: I agree. But just as a theoretical proposition, if he is going to survive he must have had to hike his wholesale prices in order to be able to give that kind of a rebate to you.

Mr. Wolfe: I can't conjecture, Mr. MacDonald. I have my own ideas, but they are not based on any facts.

Mr. MacDonald: If anybody has any other answer to that situation, I would appreciate hearing about it. The point I wanted to get to is—maybe you don't want to comment on it, it's another hypothetical question beyond your immediate concern—if he has to hike his wholesale prices roughly 25 per cent in order to make discounts for the chains, the IGA and the Oshawa Group, then the little corner

store that is buying milk from him is getting it at a wholesale price that is 26 per cent hiked which places him at a very great disadvantage. Am I not correct?

Mr. Wolfe: I'm afraid I don't know enough about how dairies operate to answer you. I know what the situation is. You asked me what the discount was and I answered you the best I could. I am not trying to hedge, but I don't want to answer for somebody about something I am not totally familiar with.

Mr. MacDonald: Fair enough. Hopefully we will be able to get somebody who will be in a position to answer that question.

I want to come back to a bit of questioning I put to Mr. Warnock on volume discounts. At the end of your section two on page 7 dealing with volume rebates, you say, "Suppliers pay volume rebates only when there is evidence that the required volume of product has been purchased." Does it not follow from that, then, that the larger the volume the larger the rebate?

Mr. Wolfe: Yes sir, that's correct. But there is another sentence in there that I think you might refer to. It says that the suppliers of these volume rebates have limits. There is a limit beyond which they pay no further rebate. While theoretically if there were no limit, what you said was correct. In practice, you can only go so high.

Mr. MacDonald: On your listing charges, or what you refer to as introductory allowances—again we have had rather conflicting evidence before this committee; and if you can help us sort it out I for one would appreciate it. We've had Dominion Stores saying that there were no listing allowances, flatly, assertively; we've had Loblaw's saying, "Anybody who says there is no listing allowance is playing games of semantics; there are listing allowances." They say there was no lump sum but there are case allowances which may be \$5 a case rather than \$1 a case for the introduction. In your case, do you in any instance charge a fixed sum for a listing allowance, or an introductory allowance?

Mr. Wolfe: May I refer that to Mr. Graham, please?

Mr. Graham: Again I think that each person would answer that in a fashion that applies to him. In our case, it would vary on the basis of the supplier coming in. In most instances, the listing allowance, the introduction of a new product, is related to the number of cents per case that they are going to spend in your stores to introduce that product. It may be that the presentation would be

nade with a sum of money; but it all relates to the number of cases you are going to draw.

Mr. MacDonald: In other words, it might be a fixed amount. We have had figures suggested to us that listing allowances in some of the supermarkets range anywhere from \$5,000 to \$25,000.

Mr. Graham: I had trouble with the high number, but that's beside the point.

Mr. MacDonald: You don't have trouble with the low number.

Mr. Graham: No. You are looking at something where in an advertised feature it is possible on the basis of the 50 cents a case or \$1 a case that 5,000 or 6,000 would be the number of cases that would go through—perhaps even up to 10,000. Twenty-five thousand would strike me as being—

Mr. MacDonald: The kind of volume buying that Dominion would do.

Mr. Graham: But Dominion would also depend on the basis of how many stores you were talking about—whether you were talking about all of the Dominion stores across Canada. In most cases it tends to be the Dominion stores in Ontario. Again, I am not answering for them. But each of them is a different marketing area and the suppliers generally tend to have different provincial marketing plans on the basis of what they are attempting to do.

Mr. MacDonald: But your testimony, as to whether it is a lump sum or whether it is a case amount, is that the lump sum is related to the quantity bought.

Mr. Graham: It has been my experience that very few people give you anything if you don't move cases.

Mr. S. Smith: Are we going to be able to see Mr. Wolfe tomorrow, Mr. Chairman? Would he be brought back?

Mr. Chairman: I don't know whether it is necessary to bring Mr. Wolfe back. It depends on the members of the committee, whether there is further questioning of Mr. Wolfe and his staff.

Mr. S. Smith: I'll proceed with my questions. There are not many, but whether they can fit into three minutes I don't know, but I'll try.

Mr. Wolfe, to deal briefly with the matter of the dairy discount; Loblaw's told us there was a 25 to 26 per cent discount, whatever it was, but that was really a discount from a fictitious price that nobody paid. I think the words he used were "some restaurant on the corner buying a jug of milk might pay that price." Do you have any idea if anybody

pays that price, or is it fiction? Do you know, Mr. Graham?

Mr. Graham: No, I don't.

Mr. S. Smith: Nobody knows. I won't waste your time with that.

I'd like to ask basically about this five per cent business. We just heard a witness, who is also IGA but in a different aspect of the business, say it has been common practice for seven per cent to be taken from apples. He then went on to say his bills were six per cent. Now your statement, Mr. Wolfe, speaks of five per cent. What you say is, the apple commission asked you to cancel the five per cent with respect to your corporate stores—I guess you mean Food City.

Mr. Wolfe: That's correct.

Mr. S. Smith: You weren't guaranteeing payment there at all, so you agreed to do that. Why did they ask you to and why did you agree?

Mr. Wolfe: First, they said it was contrary to the apple commission regulations. So, if it was contrary, we cancelled. It is as simple as that.

Mr. S. Smith: I agree with you, that is a very simple and direct thing to say. But this happens to be in complete and utter contradiction with the previous witness, whose understanding of the situation was that this was a well-countenanced and regular practice which the commission accepted for years and years. They told you it was against their regulations?

Mr. Wolfe: Yes, they did, as far as the corporate stores were concerned.

Mr. S. Smith: They didn't say it was against the regulations for the franchise stores? There you were doing a service for the five per cent, you were guaranteeing payment?

Mr. Wolfe: That is correct. We provided that service. We had acquainted the commission with this service, they knew of it, and we were guaranteeing payment.

I might reinforce that a little bit by telling you that despite my remarks to Mr. MacDonald that the independent is thriving, we have had a number of bankruptcies over the years and have had to pay the accounts for our independent merchants. This happens from time to time. Each year there are two or three that run into trouble. Accordingly, we undertake to pay all of the bills, and we have as long as we've been in the IGA business.

Mr. S. Smith: I understand your argument. What you are saying is, the five per cent was for a service and, apparently, the apple com-

mission also saw it that way, inasmuch as they said, "Well, for a real service for this five per cent, namely guaranteeing the possible bad debts, and so on, we don't mind you undercutting the minimum price of the commission." That was your understanding.

Mr. Wolfe: That's correct.

Mr. S. Smith: Yet on page five of your statement you say that with the prices for corporate stores you also take off five per cent "for providing consistently high volume outlets for suppliers." But you stopped that practice as a consequence of the commission's representation.

Mr. Wolfe: That's right.

Mr. S. Smith: If the commission's opinion is that the five per cent for corporate stores is really not a service, and you were really undercutting a price, and you kind of went along with that and said, "Oh, well, we understand. Okay, we won't charge it any more for the corporate stores," if it's not really a service for apples, then is it really a service for anything else?

Mr. Wolfe: Yes. It is not a matter of a service. It is a function of pricing. If we are able to get a product for five per cent less, we try to get it.

Mr. S. Smith: I had the feeling that is what it was, but in the second paragraph on page five you do say "for corporate stores, the five per cent is for providing consistently high volume outlets for our suppliers." Basically what you are saying is the five per cent is something we can get and we take it as long as it is legal?

Mr. Wolfe: That's right.

Mr. S. Smith: Thank you.

Mr. Chairman: Thank you, Mr. Smith. That three minutes extended to five minutes.

Mr. S. Smith: I would ask the committee: I would like to have the witness appear for a very brief time tomorrow, but of course it is the wish of the committee that decides these matters. We have one or two more questions—

Mr. Chairman: Mr. Smith, I must remind the members of the committee we have had the Ontario Poultry Processors' Association on standby here for the last three or four meetings. We have had the Greenhouse Vegetable Producers' Marketing Board and the Ontario Apple Marketing Commission—Mr. Gerry Long indicated tonight he has been here for two or three nights in a row. Either we are going to try to hear all the witnesses we can or we are going to keep going on forever and a day.

Mr. S. Smith: I move, Mr. Chairman, that the witness be recalled for tomorrow morning.

Mr. Chairman: We still have some time left with the other members, so we shall decide on that later.

Mr. S. Smith: A motion is a motion, Mr. Chairman, on a point of order.

Mr. Chairman: You've been ruled out of order.

Mr. S. Smith: You cannot move a motion out of order, Mr. Chairman. I move that the witness be recalled for tomorrow morning.

Mr. Chairman: Here we are wasting time again. You are the greatest man for wasting time, Mr. Smith.

Mr. S. Smith: You can say what you like. I have moved a legitimate motion to recall the witness for tomorrow morning.

Mr. Chairman: Are we in favour of having Mr. Wolfe and his associates back tomorrow morning?

Mr. Eaton: Mr. Chairman, does he have a right to move a motion? Is he a member of the committee?

Mr. Chairman: Yes, he is.

Mr. S. Smith: I am substituted in for today, thank you very much.

Mr. Swart: I move the motion be tabled.

Mr. Swart moved motion of Mr. S. Smith to recall Mr. Wolfe and his associates tomorrow morning be tabled.

Motion tabled.

Hon. W. Newman: Mr. Chairman, may I ask that the witness be given a copy of the appendix that was given by Mr. Warnock so that he can have it in front of him—the table of contents submitted by Mr. Warnock of Loeb?

Mr. Chairman: Which one are you referring to?

Hon. W. Newman: The figures. I don't know if Mr. Wolfe has a copy of that. I want to deal with the figures that Mr. Warnock has brought forward so that I may be clear on what is happening with the independents.

I refer you to appendix C, I guess would be the shortest way to do it. Have you got appendix C there, Mr. Wolfe?

Mr. Wolfe: Yes, sir.

Hon. W. Newman: Just look at the Ontario share of market: Dominion Stores; Loblaw's; Steinberg's; IGA, 47 per cent down to 39 for December 1976 to December 1977. I assume then we are talking only about the Loeb franchise for IGA. Is that correct? That doesn't include your stores?

Mr. Wolfe: I really don't understand the figures because the percentage given for IGA is our own percentage.

Hon. W. Newman: Yes. You said nine, and at the bottom of your first page you said this would indicate a market share of between nine per cent and 10 per cent for Oshawa, supplying their own stores in the province.

Mr. Wolfe: That is right.

Hon. W. Newman: I am wondering in the case of the IGA that was given to us by Mr. Warnock: in each case their share was down—in each city mentioned and on the provincial share, and the national share was down too. But you are saying yours is—

Mr. Swart: I compute those figures there, if you will permit me—

Hon. W. Newman: Sure, I am easy, Mr. Chairman—

Mr. Swart: Just to support what you are saying, if you compute those figures you will find in December 1976 the chains outside of the IGA had 76.4; in December 1977 they had 78.3. The national share, in 1976 they had 65 per cent—the chains exclusive of IGA—and in 1977 they had 67.9 which increased rather dramatically.

Hon. W. Newman: Thank you very much, I appreciate that, but it only confuses the issue. I am wondering if the IGA Oshawa Group, which had nine to 10 per cent of the business in Ontario, is not included in those figures. If it is not included in those figures, it would certainly make a big difference there. I guess what I am saying to Mr. Wolfe is, if your share of the market is nine to 10 per cent, then I am assuming the figures for IGA as listed on Mr. Warnock's table are only for the low franchise for IGA? [10:45]

Mr. Wolfe: Well, no, that share includes corporate stores as well as IGA stores, when we are talking about Oshawa's share.

Hon. W. Newman: The figures we have on this sheet do not relate to yours?

Mr. Wolfe: I don't think so.

Hon. W. Newman: Fine. Then may I ask you a further question: if it is nine or 10 per cent, has that figure gone up in the last year?

Mr. Wolfe: Yes, sir.

Hon. W. Newman: Thank you.

Mr. Chairman: Mr. Cassidy—five minutes left for you and Mr. Swart.

Mr. Cassidy: Mr. Wolfe, are you satisfied that IGA gets the same maximum discounts

as the large supermarket chains, the chain stores, Dominion, Loblaw's and Steinberg's?

Mr. Wolfe: I would think in some cases, yes, but in other cases, no.

Mr. Cassidy: Can you give us examples of where you would not qualify or not be able to get as large discounts as those chains?

Mr. Graham: I can't offhand, but we could certainly supply some, but it varies on the basis of volume.

Mr. Cassidy: Would you be able to supply those figures to the committee?

Mr. Graham: Certainly.

Mr. Cassidy: Would this extend across a substantial proportion of the products that you buy from suppliers?

Mr. Graham: I would say a reasonable amount.

Mr. Cassidy: Therefore, in terms of allowing Dominion and Loblaw's and so on to consolidate their hold on the majority of the market, the way the suppliers' discounts work would in fact allow them to get greater market strength because they have larger discounts to play with, is that right?

Mr. Wolfe: To some degree, that is right. On the other hand we try to compensate by such an instrument as the IGA buying group in order to offset that great strength. As the IGA buying group grows, so does its capacity to attract larger volume rebates.

Mr. Cassidy: Mr. Warnock said, I think, that he was concerned that in certain cases IGA Canada was not accepted as a buyer for volume discount purposes. Is that your concern too?

Mr. Wolfe: That is correct. It has been a long, tough battle to win acceptance. We have been fighting this battle for 10 or 12 years and we are getting, I must say, a little more acceptance each year.

Mr. Cassidy: You spoke of introductory allowances. Are you satisfied, Mr. Wolfe, that the introductory allowances which are available to IGA are as substantial or of the same proportion as those available to the chains?

Mr. Wolfe: We have no reason to believe otherwise.

Mr. Cassidy: Do you have any information that the chains may in fact get either more introduction allowances on products which you can only get at the regular prices?

Mr. Wolfe: No evidence, no sir.

Mr. Cassidy: Will you promote a product for which you do not receive a co-operative allowance?

Mr. Wolfe: Do we?

Mr. Cassidy: Yes.

Mr. Wolfe: When we get in trouble, sure.

Mr. Cassidy: Can you explain that?

Mr. Wolfe: On occasions when we are long on inventory we have to promote products to get out of trouble.

Mr. Cassidy: Under normal circumstances, though, you only promote a product for which there is a co-operative allowance?

Mr. Graham: May I answer that, Mr. Cassidy? Fundamentally I think the one thing that you cannot overlook is that when you are building an ad, the ad has to have dominance in the sense that the items that are in that advertising program have to attract the customer. They do not contain all items that are co-operatively funded.

Mr. Cassidy: You had better explain that one a bit more to me.

Mr. Graham: Fine. There were several references made on the basis that every item that is in the ad has co-op funding. That is not true. There are many products that are put in there.

There was reference made in one of the committee meetings the other night to a company that has very little in the way of co-op funds. But you see that supplier's products in ads on a consistent basis because there is a consumer demand. The fact of the matter is, we sell goods to the customer, and that is the method by which we gain volume.

Mr. Cassidy: What proportion of the products in your standard weekly ads will be co-operative funded?

Mr. Graham: I can't answer that, sir. It varies.

Mr. Cassidy: A quarter—most of them?

Mr. Graham: My judgement would be that it would be less than a quarter on a weekly basis, but it varies.

Mr. Cassidy: Are the co-op allowances you get in addition to volume discounts, or do they replace volume discounts?

Mr. Graham: In most cases they are in addition to.

Mr. Cassidy: Once again, does that mean the large chains have got a competitive advantage over the Oshawa Group in terms of getting those co-operative allowances because of their size?

Mr. Graham: No. In that case, in most instances, suppliers have a percentage that they use related to case movement. So it is all proportionate. In other words, they are interested in having their product both used

and advertised in all supermarkets so there is a consistency to that area in the amount that they use per chain on the basis of the size.

Mr. Cassidy: Do you mean to say that there is no differentiation; it is so much per case? Is that right?

Mr. Graham: Very low. My contention is that everything we do is related to case movement. I go back to the fact that there are very few people who come forward and say, "You are not selling anything of mine. Here is a volume discount." They only do it on the basis of the case movement that we have.

Mr. Cassidy: But a volume discount means that you have got to sell the volume; I think that is understood.

Mr. Graham: But so is co-op.

Mr. Cassidy: You state that you do not charge fees to suppliers to keep their products on your shelves, but we have had some other testimony from other companies on this. Are you aware whether other chains charge shelf charges or listing fees on an ongoing basis?

Mr. Graham: No, sir. As I mentioned before, we look at listing fees related to the introduction of a new product. But if you are talking about ongoing charges related to existing merchandise, no.

Mr. Cassidy: You do not. Are you aware of other chains which try to?

Mr. Graham: No, I am not.

Mr. Cassidy: Do you maintain some form of intelligence so that you would be aware of that?

Mr. Graham: I would think that is a reasonable judgement, sir.

Mr. Cassidy: I see.

Mr. Chairman: Mr. Cassidy, your time is up. You're one minute over your time limit.

Mr. Cassidy: Okay.

Mr. Chairman: We have a motion before us from Mr. S. Smith as to whether we should have Mr. Wolfe, Mr. Graham, and Mr. Goldenberg here again tomorrow morning.

Hon. W. Newman: Mr. Chairman, may I speak to the motion? In fairness—and I have said from day one, when we started in here—there was all-party agreement as to how much time we would spend on this inquiry. There was all-party agreement last Monday I believe, that we would extend this for three more sittings. That is fair enough; let's get the facts and get down to the basics and everything else of the matter.

The fact is, however, we have people who have been sitting here now for a week to

ten days waiting to be heard. I refer to the groups that you have scheduled for tomorrow morning, the Ontario Poultry Processors' Association, the Greenhouse Vegetable Producers' Marketing Board, and the Apple Marketing Commission, which have been here for days and days and who want to be heard.

When we are finished hearing the people according to our schedule, if you want to recall some of these people and it doesn't take us long, that's fair enough. But in fairness to those boards and associations that want to be heard, many of these people are actively involved in farming at this particular time of year. While the chain store people can almost come at any time—it is maybe unfair to say that—as far as the boards are concerned, these people are actively involved in the pursuit of their livelihood now, some of them have come here many miles, day after day; I really believe that we should go forward with them.

We have heard from two of the major chains. We have heard from two of the IGA groups tonight. I think it is only fair that we hear from these other people who have been taken away from their processing or producer operations. They should be given a chance to be heard so that they can get back to the jobs that they want to do on their respective farms.

That is why I am saying it is very unfair to keep delaying this for these people, as we have.

Mr. S. Smith: If I may speak to that, Mr. Chairman, actually, I had only one—

Mr. Swart: If I may raise a point of order, to my knowledge there hasn't been any motion to take the resolution off the table.

Mr. S. Smith: I will be glad to move that, if you like.

Mr. Chairman: I was just going to call for the vote.

Mr. S. Smith: You've got to take it off the table first; that's perfectly true. In that time you made that speech, I probably could have asked the one question I have which needs explanation. If I could bring them back for one question—

Mr. Chairman: Mr. Smith, I'm sure you take a lot longer to make a speech than I do.

Mr. S. Smith: I wasn't talking about your speech, Mr. Chairman. I would not offend you or my own ancestors by putting your speeches and mine in the same paragraph. I speak only of the minister's recent remarks about how much time we are wasting by bringing them back—

Hon. W. Newman: On a point of order Mr. Chairman—

Mr. S. Smith: —how much time we have wasted of the other people—

Hon. W. Newman: I was—

Mr. S. Smith: I understand your point.

Hon. W. Newman: Well, okay.

Mr. S. Smith: I have one question that I could easily ask Mr. Wolfe tomorrow or I could ask him tonight—just the explanation of one invoice, that's all, and I think it is an important one. I would like to have his explanation either tomorrow morning or tonight.

Mr. Chairman: What is the wish of the committee? Shall we proceed with the vote?

An hon. member: Let's do it tonight.

Mr. Peterson: Let's do it now, in fairness to everybody.

Hon. W. Newman: Why not?

Mr. Chairman: All right. Go ahead, Mr. Smith.

Mr. S. Smith: Thank you, Mr. Chairman. I have, Mr. Wolfe, an invoice from Creative Group Incorporated. To be accurate, this is a photostat of an invoice from Creative Group Incorporated of Appleton, Wisconsin, dated June 1, 1973. It is addressed to Swift Canadian Company Limited. It says: "To participation in dealer travel incentive promotion sponsored through the Oshawa Group Limited from June 1973 to March 1974, Swift canned meats, as per arrangement." The date is June, the arrangement is dated July; so it is covering one month, apparently. The amount is \$6,500, and the invoice says, "please remit in Canadian funds to Creative Group care of Oshawa Group." Could I hand this to you and ask for an explanation of what this means, what it is about? That's really my only question to you, Mr. Wolfe.

Mr. Poole: Mr. Smith, could we have that as an exhibit?

Mr. S. Smith: Yes, of course.

Mr. Poole: It will be exhibit number eight, and it is an invoice from Creative—do you have a copy?

Mr. S. Smith: Yes, here is a copy.

Mr. Graham: Mr. Smith, may I answer that, please?

Mr. S. Smith: Please, yes; I would be grateful.

Mr. Graham: We have a 40-week program each year which is an incentive program for our franchised dealers in which, by moving product, by consistently moving it every week, suppliers qualify for a trip to a location that we have selected each year. The charge in

question that you are talking about is the total charge for that supplier who elected to participate in that program for 40 weeks of the year, and it's the \$6,500.

Mr. S. Smith: Let me be clear on that, Mr. Graham. The supplier elects to participate in a program run by your firm which basically is a contest to encourage the store owners in your franchise operation to sell that particular product. Whoever wins the contest presumably by selling either the most or by having the most improvement over last year, heaven knows what—but they sell well on that product, and they are the best in this regard—wins a trip somewhere. It's a prize of some sort of trip.

Mr. Graham: It's a trip program. It is available to all stores provided they meet the quota on each individual item that is involved in terms of that program. So the contest is for each individual store as long as it moves all of the product that has been designated.

The arrangement in terms of this particular company would be the product in question, Swift canned meats. They would establish a quota on the number of cases that they are looking for, over and above that which would normally be expected to be the movement. That quota is then set for each individual store. They participate in that program, because they see merit in the sense of getting the added volume.

Mr. S. Smith: So, basically, the supplier in question is offered the opportunity to provide free trips for the successful store owners or managers—I guess they are owner-managers in your operation. He gets the opportunity

to provide free trips. Was that invoice for one month? It was dated June and then it said that was the July invoice.

Mr. Graham: It could be, but I can assure you that is for a 40-week period.

Mr. S. Smith: It's a 40-week period, and \$6,500 would have covered the whole 40-week period?

Mr. Graham: That's correct.

Mr. S. Smith: So for that particular product, Swift canned meats, they are basically giving not only whatever allowances, discounts and everything else that might be involved that we heard about before, but they are also giving free trips and in a way that could be a sort of incentive to the individual store manager to do a good job of moving them.

Mr. Graham: To move more product, sure.

Mr. S. Smith: So that's what it is about. I see. Thank you very much, Mr. Graham.

Hon. W. Newman: Mr. Chairman, you will be interested to know that it took twice as long to ask the question as it did for me to make my comments.

Mr. Chairman: We have a motion before the committee as to whether we should call Mr. Wolfe, Mr. Graham and Mr. Goldenberg back tomorrow.

Mr. S. Smith: I will withdraw that motion.

Mr. Chairman: You'll withdraw the motion?

Mr. S. Smith: Yes, I have had an answer.

Mr. Chairman: Very well. Thank you very much.

The committee adjourned at 10:59 p.m.

SPEAKERS IN THIS ISSUE

Cassidy, M. (Ottawa Centre NDP)
Eaton, R. G. (Middlesex PC)
Havrot, E.; Chairman (Timiskaming PC)
MacDonald, D. C. (York South NDP)
Mancini, R. (Essex South L)
Newman, Hon. W.; Minister of Agriculture and Food (Durham-York PC)
Nixon, R. F. (Brant-Oxford-Norfolk L)
Peterson, D. (London Centre L)
Renwick, J. A. (Riverdale NDP)
Riddell, J. K. (Huron-Middlesex L)
Smith, S.; Leader of the Opposition (Hamilton West L)
Swart, M. (Welland-Thorold NDP)
Taylor, J. A. (Prince Edward-Lennox PC)
Yakabuski, P. J. (Renfrew South PC)

Witnesses:

Graham, A. P., Group Vice-President, Food Divisions, and General Manager, Ontario Food Division, Oshawa Group
Soloway, H., Counsel for M. Loeb Limited
Warnock, F., President, M. Loeb Limited
Wolfe, R. D., President, Oshawa Group

Assisting the Committee:

Poole, W. R., Counsel for the Committee



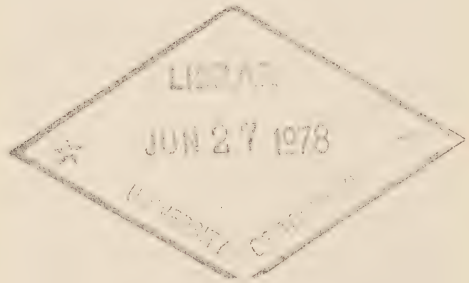
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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Ministry of Agriculture and Food Annual Report 1976-77



Second Session, 31st Parliament

Wednesday June 7, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, JUNE 7, 1978

The committee met at 10:13 a.m.

MINISTRY OF AGRICULTURE AND FOOD ANNUAL REPORT, 1976-77 (continued)

Mr. Chairman: Members of the committee and ladies and gentlemen, we now have a quorum.

Our first witnesses this morning are Mr. John Appleton and Wray Gowanlock from the Ontario Poultry Processors' Association.

Gentlemen, would you like to come before the committee?

Mr. MacDonald: A point of order, while they are coming to the table; may I raise with you and with the committee our procedures for this morning? We have three witnesses. The end of the road is nigh at hand. We cannot keep postponing witnesses; that means we have 50 minutes for each witness.

Assuming they take five or 10 minutes to make their introduction, that is approximately 12 to 15 minutes for each party, plus five to 10 minutes of introduction. If one is shorter we can extend the others or, alternatively, extend our 12:30 deadline.

Mr. Chairman: I think the fact that we are starting late, Mr. MacDonald, we are 15 minutes late now—

Mr. MacDonald: That means we sit until 12:45 and we have 50 minutes for each one.

Mr. Chairman: Right.

Mr. MacDonald: I just wanted to help you on your mathematics.

Mr. Chairman: I appreciate that, sir.

You are Mr. Appleton? State your name, sir.

Mr. Appleton: John M. Appleton.

John M. Appleton, sworn.

Mr. Chairman: Mr. Gowanlock, I guess we may as well swear you in at the same price, both at a discount today.

Wray Gowanlock, sworn.

Mr. Chairman: Does everybody have a copy of the brief from the Ontario Poultry Processors' Association?

Are you going to make the presentation, Mr. Appleton?

Mr. Appleton: Yes, sir.

The Ontario Poultry Processors' Association appreciates the opportunity of appearing before this standing committee.

The association, of which I am the secretary-treasurer, is a voluntary organization formed some 20 years ago as a trade group primarily concerned with the general and common problems presented by the constantly changing economic environment in which its members had to operate. It was not until the formation of the Ontario Chicken Producers' Marketing Board in the early 1960's that the processors' association found itself being thrust into the position of a somewhat dubious legal bargaining body required to negotiate prices and quota with the Ontario Chicken Producers' Marketing Board as provided by the Ontario Farm Products Marketing Act.

[10:15]

After several years of somewhat fruitless efforts at negotiations, primarily because of the nature of the business, a fresh product priced on a weekly basis, the act was amended. The producer board was then given the sole right to set both the quota and the price. From that point in time until the present the producer board and the processors' association have been in a position of almost constant confrontation. This is not a happy or a productive situation. It is perhaps unique to the Ontario poultry meat industry.

It is the opinion of the processors' association that the current situation has militated against the progressive development of the industry and has created an economic climate that is not in the best long-term interests of the consumer.

We understand this inquiry is primarily concerned with the problems of discounts and related practices which exist within the trade, their effects on producers, as well as the possible impact such practices could have on the ultimate prices to consumers.

At a recent special meeting of the processors' association I was instructed to present to you a brief outline of just how the present chicken broiler system operates in Ontario. The Ontario Poultry Processors' Association hopes that from this outline you will be able to better understand the unique conflicts which exist in the Ontario poultry meat busi-

ness and why some members of the Legislature have indicated in the House their concern over some of the trading practices that exist within the industry.

Let me say first that the Ontario Poultry Processors' Association is not aware of any existing practice which forces producers to take a discount from the price set by the marketing board. If such practices do exist they are strictly illegal and are not countenanced by the association.

Secondly, the association members are well aware of the existence and serious criminal implications of the combines act. This has been a constant concern of processors since the removal from the act of the legal right to negotiate quota and price. This fact, plus other operating problems, has created serious obstacles for processors as they attempt to participate with producers and the government in attempting to operate within the complex and ill-defined requirements of a provincial supply management system for the poultry meat industry.

Let me explain further. When a quota is set for chicken broilers by the producer board and agreed to by the Farm Products Marketing Board, four times a year, usually three months in advance of the actual purchase of the live birds by the processor, each processor approaches his usual producer-supplier to determine the specific time of placement of chicks, the size of the bird to be grown to meet the individual processor's very specific market requirements for that quota period.

To provide the required size of bird at an exact time throughout a quota period requires a very careful scheduling by processors operating in close co-operation with the hatcheries and the producers. This necessary co-ordinating function of the industry is performed almost entirely by processors.

The market requirements for fresh chicken broiler meats are very exact. Even the difference of a few days in growth, the result of disease, weather or other outside factors, can seriously disrupt planned marketing programs.

Once the quota has been set the processor and the producer agree and sign a document supplied by the producer board, a copy of which document is attached, and outlines all the details of the arrangements except the price. This document is signed at least 15 weeks in advance of the actual time of sale. The signed document is then forwarded to the producer board, to enable the board to assess if, in total, all supply arrangements indicate that the requirements of the provincial market in respect of size and quantity is being adequately planned.

Theoretically, this is a good idea. Under the existing regulations of the Chicken Producers' Marketing Board, this practice creates many day-to-day operating problems for processors.

In the first place, measuring a demand three months in advance of sale is a very tricky business. Many unforeseen factors can affect both supply and demand. Changes in the weather, in Ontario, Quebec or in the hatching egg supplying areas of the US can drastically affect the market prices in Ontario, either up or down. Approximately 50 per cent of all chicks hatched in Ontario come from eggs imported from the US.

Imports of live birds by processors from either Quebec or the US or imports of evaporated product by processors or retailers, from Quebec or the US can exert a strong and unpredictable influence on the market. Changes in the value of the Canadian dollar, or the price of pork or beef, also affect the market. But the commitment of the processor to the producer, which for all practical purposes has been ruled by an Ontario court as a contract, must be honoured.

Regardless of the market conditions at the time of sale, the producer board, in keeping with the intent of the supply management concept, sets the live prices to processors based mainly on a cost of production formula.

In Ontario, 95 per cent of all chicken is sold in the fresh form. In western Canada, 90 per cent of chicken is sold frozen. Any product which an Ontario processor cannot sell at the time of purchase must be frozen and subsequently sold at a loss of from five to 10 cents a pound. A reasonable mark-up for processors is from one to two cents per pound. In western Canada, where chicken meat is sold frozen, inventories in the hands of processors can be given meaningful consideration by producers and processors when quota quantities are being established for future production.

The buyers of processed chicken, mostly the five major chains, keep a constant eye on the supply. When there is a surplus of live birds in the field, legitimate pressure is applied to processors to lower prices. Because the product is highly perishable, processors who must pay the board price and must take delivery from the producer, then compete with each other to dispose of product. This is accompanied by various forms of price reduction or discounts.

The extent and level of such discounting depends upon the circumstances. Chicken meat is a fresh product with a shelf life of approximately 72 hours, depending upon the efficiency of the retailers' cooling facilities.

As a fresh product, negotiations between processors and retailers are open to constant discounting. This is a regular and perhaps necessary practice of the business. It is necessary in order to market the product and prevent spoilage or serious price reductions because of freezing.

This rather strange concept of how a business should be conducted is part of the unique Ontario supply management system for poultry meat. This seems to be somewhat inconsistent with a recent indication by the minister when he stated: "Our role is not to regulate agriculture but to support it as a free enterprise." That's page R-475, legislative debate R-18.

It also follows that in times of unforeseen scarcity of live product, such as exists at present, because of the effect of adverse weather in the US curtailing the supply of hatching eggs, together with a strong US market for finished product, plus the devalued Canadian dollar, buyers of processed product are willing to pay higher prices for Canadian product and the impact of discounting is minimized. Under these circumstances, prices to consumers increase and the potential returns to processors are improved.

When this current unforeseen scarcity changes, and it most surely will, Ontario processors will once again be in the position of having to purchase supplies of live product usually produced by the producer board in excess of the demand. This excess is almost inevitable if the product is to be sold on a regular basis at prices consistent with the margin requirements of each segment of the system.

When the processors, through their association, have attempted to accommodate their operations to the present Ontario situation and are expected to act as an advisory group to producers, they have found themselves in a position that could be interpreted as an infringement of the combines act. Producers with a guaranteed cost of production and the right to set the quota with no responsibility for selling their product would be unrealistic if they did not constantly press for greater production levels, frequently in excess of a realistic demand.

Processors as an association, on the other hand, when pressing for a reduction in supply can be accused of attempting as a group to reduce supply to improve their earnings. Reducing supply would be a normal practice in most types of business, when product cannot be sold profitably. Such action could apply to individual processors of chicken or turkey. But in the present supply management system, processors must make forward commit-

ments and to operate efficiently need a constant and planned supply. The individual processor, therefore, finds it difficult and impractical to cut supply, as he then jeopardizes his relationship with the producer and his retail outlets.

In attempting to influence the producer board to reduce supply, some members of the association in discussing the issues, are fearful that they are coming very close to a contravention of the combines act. The legal counsel of at least two of the major processors have expressed real concern over the involvement of their companies in this process. As a result one major processor has withdrawn from the association altogether, and another major processor forbids its delegates to attend processor association meetings.

This is the unfortunate situation that exists at present in spite of attempts by the Ontario government to provide a type of shelter arrangement by changes in regulations. Notwithstanding these changes, the threat still exists that processors, in their attempt to participate in meaningful discussions with producers where prices and quantities are interdependent and should be discussed, are open to charges under the combines act.

This is not a healthy situation and changes should be made if the poultry industry is to maximize the resources available in Ontario for the industry to better serve the Ontario public.

Processors noted with interest the recommendations of the Ontario Federation of Agriculture that the provincial government undertake a major study to assist in upgrading the productivity of the food processing industry. The Ontario Poultry Processors' Association further suggests that the study include an examination of the chicken and turkey producers' marketing boards' regulations to determine the extent to which the present system is appropriate for upgrading productivity in the production segment of the poultry meat system.

Under current conditions, capital investment in the processing segment is being thwarted and the maximization of the technology available to the industry is not being adequately utilized by either processors or producers. Prices to consumers over the long-term will inevitably increase more than is necessary.

As long as this situation continues, in spite of the many advantages that consumers have enjoyed over the past number of years through the energetic marketing programs of the retail outlets through features or loss leaders, no industry can prosper and adequately serve the public unless all within a supply and

management system enjoy equal opportunities to participate in decision-making and share the responsibility for such decisions.

[10:30]

Price-cutting and discounts at the processor levels are encouraged by the present system and most of the burden of market adjustments falls on the processor both large and small. No responsible processor wants to return to the days when the market adjustment was borne almost entirely by the producer. Surely there must be some way for the industry to work and plan together to make the Ontario poultry meat system an important and developing industry supplying one of the most nutritious and economical meat proteins available to Canadians.

Ontario is the most logical province in Canada to develop a highly efficient and productive poultry meat industry. Poultry meat processing is a labour-intensive industry directly providing work for approximately three thousand Ontarians. This number is many times more than the numbers growing the live chickens.

While I have confined most of my remarks to the chicken broiler business, an almost identical situation exists with turkey processors. The major difference between marketing chicken and marketing turkey is the fact that turkey is normally sold in Ontario and throughout Canada in the frozen form. Inventory adjustments through planning can be more effective. But even with turkeys, planned over-production is inevitable, as turkey producers, like chicken producers, are not responsible for selling the quantity of product their quota decisions provide.

In closing, may I point out that with eggs and milk, also under a supply management system, no similar problem exists. Egg producers and milk producers do assume responsibility for their decisions.

Hon. W. Newman: A few questions, Mr. Appleton. As you well know, I am fairly familiar with the committee that was working on all those various problems. Would you agree with me that we would not have a broiler industry in the province of Ontario if the dollar was at par today, if we did not have some form of mechanism by which the board could have some say in what happens in the chicken industry in this province? I guess I am saying to you that your association, I believe, did support a national marketing plan for broilers.

Mr. Appleton: With very specific reservations. The decision on how much should be grown should not be entirely left in the hands of the producers. It should be part of a nego-

tiation in which the processing segment of the industry would take part.

Hon. W. Newman: You said in your brief that, by and large, broilers are formula priced, I believe.

Mr. Appleton: On a cost of production basis, largely.

Hon. W. Newman: Is it not true that last year—I am not sure of my figures—there were somewhere around many millions of pounds of broilers imported from the US by various processors? Is that a fair statement?

Mr. Appleton: Yes, sir.

Hon. W. Newman: Why did they do that?

Mr. Appleton: The main reason that occurred was because one of the larger chains began to import product on their own. It had been customary for them to buy from Ontario processors; but when the US price dropped, they found it far more economical for them to buy from the United States. They then set the price for all the other chain stores, which had to be met by the processors who were processing Ontario product.

Hon. W. Newman: Is it not a fact that the broiler industry in Michigan and New York state has virtually disappeared?

Mr. Appleton: That's quite right. It never really existed to any extent.

Hon. W. Newman: But there was quite an industry at one time. We realize here in the province of Ontario—maybe I will make a comment before I lead into my next question—that because of cost of production, because of climatic conditions which you have mentioned, the cost of producing a broiler in the province of Ontario is higher per pound than it is in the state of Georgia, say.

Mr. Appleton: Yes, it is.

Hon. W. Newman: And realistically it is very difficult for us to compete with that sort of a market because of the climatic conditions and other factors.

Mr. Appleton: Yes, on a free trade basis.

Hon. W. Newman: So in order to try to maintain a broiler business in Ontario so we would not be at the leverage, shall we say, of completely imported broiler chickens, we have tried, would you not say, in the province of Ontario, as a government and through the chicken marketing board, to maintain this industry in this province? Would you be prepared to assume that if we did not have a national plan—which I assume is coming very shortly, though you have expressed some reservations—down the road five years from now we may not have a broiler industry or

a processing industry here in the province of Ontario?

Mr. Appleton: We are still dealing in a speculative area, whether we are going to have a national plan or not. There are ways and means in which we could compete. After all, we operate under a five-cent protective tariff as it is now. What we are talking about is what would have happened to the broiler industry if it had been allowed to develop entirely on a free basis. It would perhaps have gone the way it has in the US and been a highly integrated basis.

We chose, in this province and in Canada, to move in another direction by supporting the marketing boards, and the processors have gone along with this. The main issue that we are attempting to raise at this time is, if the broiler industry is going to be successful the decision-making process of what we grow and how we price it should be jointly the responsibility of the people who produce it and the people who process it.

This is very important, because unlike eggs, which are sold as eggs, and milk is sold as milk, chicken has to be processed in many forms, many different kinds of packages, many different shapes and sizes. The market depends on how the co-operation exists between the producer and the processor in arriving at what this decision should be. This is what we have been denied and we as processors then are subject to all the discounts, and some of them are pretty vicious. This is the main point we are raising.

Hon. W. Newman: May I ask you then, does your association support the existence of a chicken marketing board in Ontario?

Mr. Appleton: Under what conditions? Do you mean as it exists at the present time?

Hon. W. Newman: Yes.

Mr. Appleton: No, we do not. We support the concept of supply management; you have got an act, but what we are saying to you, sir, is that this industry will not thrive unless there are some ways and means devised for processors and producers to share in the decision-making process, such as we suggested to you. You will remember that we suggested there be a pooling arrangement. We could very strongly support a pooling arrangement in which we co-operate with producers.

Hon. W. Newman: Basically, the amount of chicken that is contracted out, I know it has to be done in advance of every 12-week period, in that the amount of chicken that is going to be grown is sorted out. This is really a form of supply management in the province of Ontario. There have been problems in the

industry as far as you are concerned, and I am aware of that. But, basically, do you support this sort of program, otherwise supply management of broiler production in the province of Ontario?

Mr. Appleton: Yes, sir.

Hon. W. Newman: But you don't support it—

Mr. Appleton: Not under the present regulations.

Hon. W. Newman: Would you support control of the wholesale pricing of chicken?

Mr. Appleton: I have with me the president of the association. I don't know if I am privileged to answer on behalf of the association as to whether we would support that. The president says we had better decline to comment. We really can't speak for the other members of the association. I can understand your question: would we support a wholesale price control?

Hon. W. Newman: Yes. Do you believe that chicken prices at the wholesale level should be regulated?

Mr. Appleton: That I can't answer.

Hon. W. Newman: You also said on page five of your brief: "Regardless of the market conditions at the time of sale, the producer board, in keeping with the intent of the supply management concept, sets the live prices to processors based mostly on a cost of production formula."

Do you believe that that is quite factual, that they do use a cost of production formula?

Mr. Appleton: Yes, they do.

Hon. W. Newman: You also mention in here, I believe, that in the west it is all handled as frozen chicken which adds five to 10 cents a pound.

Mr. Appleton: It's common practice in western Canada for the housewife to buy a frozen product. It isn't in eastern Canada.

Hon. W. Newman: Does that not add to the cost for the consumer when it's frozen?

Mr. Appleton: Yes, sir, but that's the way the market is constructed. In western Canada, you pay a premium for a fresh product. Their whole price structure is different.

Hon. W. Newman: The fresh product that's moving into the market here in Ontario, the fresh chicken, because it is a very highly perishable commodity, moves on to the market fairly quickly.

Mr. Appleton: It has to.

Hon. W. Newman: That's right. Because the producers set the price, any cost benefits that you would have to take as processors, or

a reduction in your mark-up or whatever it may be—a loss you've taken in many cases—would you assume that this passes on to the consumer of the province?

Mr. Appleton: I think it has been passed on as it has become associated with featuring and the loss-leader program. The consumer has actually benefited.

Hon. W. Newman: I realize that you're facing very heavy competition in the processing end, and I think I'm very familiar with the various aspects of it. You said one person stepped out of your association because he was worried about the combines act. We also have a letter here from somebody who wishes to be heard, and I understand that he voluntarily pulled out of the processors' association. I don't know if we're talking about the same person or not, and I don't want to mention his name.

Mr. Appleton: No, we have two different people.

Hon. W. Newman: Do you think the board is doing an effective job for its growers in this province? You're facing excessive competition that's creating a problem for you and, therefore, would a national plan not help you?

Mr. Appleton: Not the way the national plan has been drawn up as we know it. We have never been privileged to see what's in the national plan. We have made presentations and we have been consistent in our approach that the amount of product that is to be allocated as quotas should not be the decision of the producers alone. We've asked for that, but we don't know that's going to happen. If we have a national plan, certainly it will make it a more rational way of approaching the Canadian broiler industry.

Hon. W. Newman: In effect, if we had a national plan in place, we would have some assurance—with some reservations on your part—that we would have a broiler industry left here in Canada, which we could very easily lose, going back one year in the problems we were facing.

Mr. Appleton: In eastern Canada. Western Canada can exist quite easily. It is not worried about competition from the United States.

Hon. W. Newman: I wouldn't say all of western Canada. I think one province has indicated it can survive.

Mr. Appleton: Most of the western provinces have a method of co-operating that makes it possible for them to live together.

Hon. W. Newman: I think that's all I have for now, Mr. Chairman. I know you have a lot of people here.

Mr. Riddell: Mr. Appleton: while it's obvious from your brief that you're basically interested in marketing arrangements, those of us on the committee are more interested in trade practices. I wonder if we could get an explanation from you as to how the discounting which you referred to on page six of your brief is actually paid. Is it in the form of volume discounts? Is it a payback to buyers, such as is done in the case of Lob-laws with rebates made to Intersave? I'm more interested in the trading practices than I am in the marketing arrangements at this particular time.

Mr. Appleton: I have listened to several of these hearings, and in answer to your question I could say that every type of discounting and price-cutting that has been mentioned so far exists in the poultry industry.

Mr. Riddell: You have indicated, if my hearing has served me correctly, that discounts are vicious. Would you care to comment further on that?

Mr. Appleton: When you have a surplus of fresh products that you've got to get rid of, and the buyers realize that there is a surplus, yes, the discounting can be very vicious. It can be as much as five or 10 cents a pound.

Mr. Riddell: It's certainly a practice that you don't advocate then?

Mr. Appleton: I certainly do not, sir.

Mr. Riddell: On the second page, you say: "The Ontario processors' association is not aware of any existing practice which forces producers to take a discount from the price set by the marketing board." If I go back to some of the questioning in the Legislature by all members, they asked if the minister would investigate the matter pertaining to stores insisting on a kickback for all the broilers that they buy from some of the producers and independent processors. Are you suggesting that there are no kickbacks in the broiler business?

[10:45]

Mr. Appleton: I am not aware of any. Are you aware of any?

Mr. Gowanlock: No, not at this point.

Mr. Appleton: Certainly, when it comes to producers, you sell an eviscerated product. You don't sell a live product. The small independent processor is probably the one you're referring to. Does he have to pay a kickback? I would say yes. I think this goes on all the time.

Mr. Riddell: Do producers sell directly to stores?

Mr. Appleton: Not that I'm aware of.

Mr. Riddell: So it's all processed and sold by the processor to the stores?

Mr. Appleton: Yes, sir.

Mr. Riddell: This line of questioning, then, is not accurate inasmuch as producers are not selling their product directly.

On page eight, you indicate: "In attempting to influence the producer board to reduce supply some members of the association, in discussing the issues, are fearful they are coming very close to a contravention of the combines act." Will the new Competition Act—which is federal, as you well know—change anything as far as you're concerned?

Mr. Appleton: That's a very detailed document. I'm not a lawyer and I don't know what the implications are. I have discussed this with representatives of Consumer and Corporate Affairs in Ottawa. The only relief it seems we may be able to enjoy is the fact that if the new competition bill goes through, Consumer and Corporate Affairs will be in a much better position to challenge some of the operational functions of the Competition Act when another cabinet minister introduces things such as the national agency and its implications as far as combines are concerned. Right now they have not got that power. That's the only thing I'm aware of.

Mr. Riddell: What representations has your association made in respect to the proposed Competition Act? Are you aware of any? You would be aware of any representations that would have been made.

Mr. Appleton: We have not made any representations.

Mr. Riddell: On page nine, you indicated: "This is not a healthy situation and changes should be made if the poultry meat industry is to maximize the resources available in Ontario for the industry to better serve the Ontario public." What changes would you recommend?

Mr. Appleton: Changes similar to those that exist under the milk marketing board, or that even existed before the act was amended, when processors had the legal right, as stated in the legislation, to negotiate. Negotiating on milk is a quite different thing than on chickens. It's very well set up. The details are all outlined. I think similar arrangements could be made for the poultry without this necessity of having to go into negotiation every week. This is what happened before. It was a very tedious and, as I've said, fruitless effort. Certainly, I'm sure that we could

work out with the ministry the methods for arriving at how you would determine the prices.

Mr. Riddell: You seem to question the 15-week advance period. If that's a problem, why couldn't that be shortened? Does it depend on the production cycle?

Mr. Appleton: You have to have that kind of forward timing in order to permit the hatcheries to get the egg supplies in. This all starts with a hen that lays an egg; it's got to hatch for 21 days and then it's got to fit into the program.

Mr. Riddell: Is the broiler business similar to the egg business where a broiler producer can also be a processor? Does that situation exist at all?

Mr. Appleton: Not like it does in the egg business. Do you mean like was referred to at one of the previous meetings?

Mr. Riddell: An egg producer can also be a grader.

Mr. Appleton: Yes. Some of the processors have their own growing operations, if that answers your question. Yes, they do.

Mr. Riddell: Is this a healthy situation?

Mr. Appleton: I don't really believe it has that much impact on the total industry. About 18 per cent to 20 per cent of all the broiler chickens grown in Ontario are grown by firms which are in the processing business.

Mr. Riddell: I see.

Mr. Appleton: The price of the live product is tallied by the board.

Mr. Riddell: So just to summarize then, you are concerned about the marketing arrangements, but you are not particularly concerned about the trading practices because you don't believe that producers are being discounted, but by the same token—

Mr. Appleton: My concern is with the health of the total industry. The discounting practice that goes on now is almost inevitable as long as the present situation exists because we have to pay a fixed price, we have to take delivery, and when a market comes, we have to get rid of them. This is what creates all the various forms of discounts—and I think they are legitimate discounts. If you have a number of birds left over and you are going to take a five to ten per cent loss, you are to drop your price three or four per cents to get rid of them as fast as you can; and you may take even more of a loss than run the risk of market declines. Under the present circumstances, this kind of discounting will continue. It is encouraged and I think it is legitimate.

Mr. Riddell: I think I'll stop there, Mr. Chairman. I may wish to come back.

Mr. Eaton: A couple of quick questions: you indicated that when there is a surplus you face some tough discounting at the retail level and that you as processors bear all the load of this.

Mr. Appleton: Yes, sir.

Mr. Eaton: Does the board in setting its price, consider the amount of birds to be moved and perhaps narrow its margin, perhaps even cutting its price down to the cost of production?

Mr. Appleton: I think you had better ask the board that question.

Mr. Eaton: You indicated that you take all the load, the board just sets the price. Do they ever give any consideration to the processors when they are setting that price?

Mr. Appleton: As far as we are aware, the board works mostly on a cost of production basis.

Mr. Eaton: Do they consider the price of outside competition, i.e., birds coming into this province from US, in setting the price of the fresh birds?

Mr. Appleton: I would say that we are not aware that any significant changes in price have resulted because of those factors.

Mr. Eaton: I see. You also indicated that your members were very much afraid that they were going to get into difficulties because of the combines act. Have there been any threats of that? Has there been anybody indicating that they are going to take you to court on this; or what has brought about this great fear of the combines act in negotiating quantities with the board and talking supply that may be needed, and so on?

Mr. Appleton: My understanding is that this is strictly a legal matter and legal counsel to some of the larger firms, who are very much aware of the criminal offences that could result from this kind of organization—

Mr. Eaton: Someone has to initiate that against you because they feel you are doing something. It is not going to be your own legal counsel who would initiate action because you are talking to the marketing board about the number of pounds of birds that are going to be produced or what the price might be. Has anybody threatened that they are going to take you to the combines people because you sit down and negotiate the number of pounds with the board?

Mr. Appleton: I am not aware of any of the combines people taking any action, but then if they do that's a bit late. What we want to do is prevent that.

Mr. Eaton: So this is strictly a fear within your own association that somebody might do this to you because you are sitting down and talking poundage and price.

Mr. Appleton: Yes. And we have to talk price. The main element of this combines thing is the fact that price and quantity are closely related with a fresh product. We can sit down and discuss the quantities to be grown some time in the future, but in order to do that when one is dealing with a weekly priced commodity, we have to lower our prices to get rid of the quantities if there is a surplus, or raise them.

Various firms get together on a constant basis in this kind of discussion; it is somewhat different from the canning companies getting together under the act and discussing with farmers what they are going to pay for tomatoes.

Mr. Eaton: Why is it so much different?

Mr. Appleton: Because it's occurring all the time—it's once a year with tomatoes.

Mr. Eaton: Doesn't the combines act apply if you get together and decide what you're going to charge for your product, not what you're buying it at?

Mr. Appleton: No, my understanding is if members of the association get together and say they want to reduce the supply, lower the quantities to be set and then sit down and discuss also the pricing mechanisms to be involved, that this is against the law.

Mr. Eaton: My understanding here the other day when some of the stores were before us was that if someone offered a different deal on price to one competitor over another, then they were in trouble under the combines act, and here, what you're doing, is sitting down and negotiating what the one price to all the processors is going to be. So that's staying within the combines act under the indications we had the other day. You might get into trouble at the other end if you sat down and said, "We're all going to charge the chain stores X for it," then I would say you're into trouble with the combines—

Mr. Appleton: Well, I would tend to take your approach also, but then I'm not a lawyer, and it's the lawyers of the corporations who have expressed this concern and prohibit their members from actually taking part in what I think is a very logical and

rational approach—sit down with the people you're dealing with and work it out.

Mr. Eaton: Negotiate the price and poundage and so on; somebody has to set it and the board has been given the power over the years to set it.

You indicated in one spot, too, that there was no money, no capital investment, going into the processing segment—would you say that there is an over-capacity of processing facilities right now?

Mr. Appleton: Yes.

Mr. Eaton: So there is no need for new processing facilities in the province, maybe some updating in some cases?

Mr. Appleton: That's right.

Mr. Eaton: But maybe that will weed out some of the processing industry if they don't put a little capital in it and you'll get it back to where there's enough processing to handle the birds. Some of this competition may take care of the over-capacity.

Mr. Appleton: A number of processing plants have closed down. With the economies of scale that result from consolidation, amalgamations are very significant. Until the processing segment is given some assurance that they're going to be able to expect a reasonable return, you're not going to get revamping or reorganizing of plants, or consolidating with other people.

Mr. Eaton: There is some indication that the board is at fault in this—maybe some competition within the industry itself is required to sort out the situation of over-capacity that's making some of the competition within the processing industry, not just the board setting price and quantities and you having to move them.

Mr. Appleton: The over-capacity may in part be that. Last year, if 50 million or 60 million pounds had not come in from the United States, perhaps our capacity would have been better utilized. So to that extent the national agency will be of benefit; but there's been very little change in the pattern of processing in Ontario for a number of years.

Mr. MacDonald: Mr. Chairman, like Mr. Riddell, I'm fascinated. I have 1,001 questions I'd like to put to Mr. Appleton on the marketing end, but that's not our immediate concern here, except to what extent it relates to trade practices, and so I want to touch on it as briefly as possible but only for purposes for getting at the trade practices.

You cited the one instance in which a supermarket was buying its supplies from the United States because the price was lower

and that forced you into a position of reducing prices and purchases too. I have heard it said on a number of occasions in recent years that on their own initiative the processors were importing from the United States rather than buying Ontario produce because at certain points in time, the supplies were cheaper in the United States.

Mr. Appleton: That's very true.

Mr. MacDonald: That is true?

Mr. Appleton: Oh, yes.

Mr. MacDonald: So you weren't always acting as a reaction to a supermarket move, but you were acting on your own initiative.

[11:00]

Mr. Appleton: I don't know how you can dissociate them. If Loblaws brought in large quantities, in order to make it competitive for a processor supplying Dominion Stores or A&P, they were buying their products in the United States the same way that Loblaws were.

Mr. MacDonald: That's not the point I'm trying to get at. My point is that if the product was cheaper in the United States than the price that had been fixed by the marketing board of Ontario, my information is—and I'm seeking confirmation or denial of it—that the processors took the initiative, irrespective of what the supermarkets were doing, of getting your supplies from the United States because you could get them cheaper than you could from—

Mr. Appleton: Yes, I think that has happened.

Mr. MacDonald: That is true?

Mr. Appleton: That is true.

Mr. MacDonald: Then you're not wholly the victim of supermarket abuse of economic power, if you will. It's through your own initiative on some occasions.

Mr. Appleton: Certainly.

Mr. MacDonald: That really complicates the picture a little.

I wanted to come to a question that the minister put to you. If part of the problem, whether provoked by the supermarket or by your own initiative, is because of these large imports, 50 million to 60 million pounds, the only way in which we can protect ourselves from those significant imports which create problems for you is if we have a national marketing agency and, therefore, under GATT are able to have the tariffs to block that kind of massive imports, why do you question the validity of a national agency? Wouldn't it be of assistance to you as an Ontario processor?

Mr. Appleton: Yes, I think I made that point when I was replying to the minister. We have supported the national agency, but only on the condition that the quotas that are set be determined by the joint effort of the processors. Yes, the industry could then operate under GATT and the quantities that are being imported, subject to the regulations of GATT.

Mr. MacDonald: Let me go back a bit, because I'm a little uncertain as to the position of your association. What percentage of the processors in Ontario are in your association?

Mr. Appleton: At this particular point in time, about 55 per cent.

Mr. MacDonald: That's 55 per cent of the number of processors. What would it be in terms of the volume? Are most of the large ones with you or are most of the large ones outside?

Mr. Appleton: The largest one has withdrawn. The second largest one has withdrawn for legal purposes.

Mr. MacDonald: But the 55 per cent is the number of processors?

Mr. Appleton: That exist right now.

Mr. MacDonald: The number of processors. What percentage of the total—

Mr. Appleton: No, on the basis of the volume.

Mr. MacDonald: Fifty-five per cent on the basis of volume.

Mr. Appleton: Yes, and three years ago it was approximately 90 per cent.

Mr. MacDonald: When you made the statement that you weren't aware of any practices that were questionable out in the trade, are you making that with reference to the trade in total or only the 55 per cent volume that happens to be within your association?

Mr. Appleton: The drop in the volume within the association has occurred within the last six months, and I had been referring primarily to what conditions existed over the last several years. What goes on now, I'm not aware of. I'm speaking in general terms that these kinds of discounts did take place.

Mr. MacDonald: When you say you're not aware of questionable trade practices and discounts and so on out there, are you speaking for the industry in total, or only the 55 per cent or whatever per cent happens to have been within your association in recent years?

Mr. Appleton: I thought I had answered that when I said we're referring to the

practice that existed over the last two or three years when we represented about 90 per cent of the volume. In the last six months, because of other factors, we now only represent about 55 per cent. When I'm speaking to you today, I can only say I'm representing 55 per cent, but I'm not really aware—I can only speak in very general terms—I'm not aware of what individual companies do. I know that as an association it would be frowned upon to have these discounts thrown back on the producers. That's strictly an illegal position.

Mr. MacDonald: Do you deem that to be a matter within the jurisdiction of the association, the marketing procedures?

Mr. Appleton: No, sir.

Mr. MacDonald: We had a food processor before us a week or so ago and he said it was literally "none of our business. We've heard no complaints, we don't seek any knowledge on it. The marketing procedures are the total prerogative of the individual members."

Mr. Appleton: As a trade organization, we would support whatever the law states and that would be our position.

Mr. MacDonald: In other words, no breach of regulated price to the producers?

Mr. Appleton: Right, absolutely.

Mr. MacDonald: When you give discounts, are those discounts made available to every possible retailer on the same basis, or are they sort of ad hoc arrangements with each one depending on the circumstances at any given time?

Mr. Appleton: I would say they are on an ad hoc basis depending upon how bad your surplus is. The same thing happens with a basket of peaches; when they start to go bad you sell as fast as you can.

Mr. MacDonald: We had testimony from an egg producer who said that if he had a lot of eggs he would give the supermarket a good deal this week and then next week he would give another supermarket a good deal, so that he was sort of sharing them around.

Mr. Appleton: That could be, but he is at least in the position that if he can't get rid of them the board takes them. In the chicken business that is not the case. The board does not take them; you've got to take the loss.

Mr. MacDonald: Yes, we're back to what seems to be the bind.

Mr. Appleton: Yes.

Mr. MacDonald: In view of the time, I just want to explore one other area. I'm in-

terested in your worries about possible breaches of the old combines act or the new competition law because of the way you have to operate in terms of dealing with price and quantity and things of that nature. Obviously, that's a matter of greater concern too, because the farmers' organizations have made representations that the proposed new competition law was perhaps a back door way of getting at the destruction of marketing boards. They have expressed their views and I think the minister on occasion has even raised his voice saying that if that was the purpose of the new Competition Act he was going to stand with the farmers and see that it didn't happen. Since you have to live with what is provincial legislation, isn't it your right, and have you ever sought from the provincial government, either the Minister of Agriculture and Food, or the Attorney General, as the chief law officer of the province, what your rights are in relationship to the marketing board and, therefore, whether or not you are in the clear?

Mr. Appleton: Yes, sir, we have and they have been most co-operative. They've actually changed the regulations, but that still doesn't satisfy the legal counsel of some of the corporations. Without going into all this detail of how this comes about, all I can say is that it's the legal counsel of the corporations who are frightened of the law. The minister's department and his legal people have tried to persuade them that this is not the case, but they're not persuaded. As a result, we can't function as I think the association should be functioning in this system.

Mr. MacDonald: We have a procedure—I've forgotten the exact name of the act—whereby the government can take the initiative to have the courts clarify what the law is in any given instance. Have you ever approached the government to take that necessary step?

Mr. Appleton: I don't think we've gone that far yet.

Mr. MacDonald: If you live in such a state of uncertainty and concern that bedevils an already complicated, unique and complex situation—

Mr. Appleton: We're in the process, sir, of doing it.

M. MacDonald: Oh, you're in the process of doing it?

Mr. Appleton: Yes, we're trying to get it clarified particularly in Ottawa.

Mr. MacDonald: Under the old act or under the new act?

Mr. Appleton: Basically on the principle of how we're going to design it so that we can function without the fears.

Mr. MacDonald: I have one final question, if I may. I want to go back to the rebates. Your reply to Mr. Riddell was that almost every conceivable kind of volume discount, rebates, earned cost reduction, et cetera, that you heard of in all these hearings exists in the poultry industry.

Mr. Appleton: Yes, sir.

Mr. MacDonald: Are those rebates given by a reduction on the invoice or is there the procedure that we've heard of those subsequent cheques coming to pay the rebate?

Mr. Appleton: I'm not at privilege to disclose how it happens. The only thing that I have the responsibility to say is that it goes on.

Mr. MacDonald: Why would you be hesitant to say whether or not the normal process is that if you're giving a volume discount—

Mr. Appleton: Volume discounts do take place.

Mr. MacDonald: Earned cost reductions?

Mr. Appleton: Earned cost reductions take place.

Mr. MacDonald: No, but is it—

Mr. Appleton: I don't know how the individual companies actually do their invoicing, how the charges are made, but I know they take place.

Mr. MacDonald: Would you say that there's any validity to the contention that on occasion these rebate payments are made into a trust fund, something roughly equivalent to the Loblaw-Intersave arrangement? It goes back to something other than the actual purchaser?

Mr. Appleton: No, I don't think so. We are not aware that that takes place.

Mr. MacDonald: Thank you, Mr. Chairman.

Mr. Chairman: Thank you, Mr. MacDonald. I would just like to remind the members that we have the vice-chairman of the Chicken Producers' Marketing Board here too under item 1, so if we could limit our cross-examination of these gentlemen here we could call on the vice-chairman and try and get in the other items two and three on our agenda.

Mr. Poole: Mr. Appleton, in the last paragraph of page two you say this: "Let me say, first, that the Ontario processors' association is not aware of any existing practices which forces producers to take a discount

from the price set by the marketing board. If such practices do exist, they are strictly illegal and are not countenanced by the association." Then on the top of page six you say in the first paragraph: "Because the product is highly perishable processors, who must pay the board price and must take delivery from the producer, then compete with each other to dispose of the product. This is accompanied by various forms of price reduction or discounts."

Mr. Appleton: Yes, sir.

Mr. Poole: To whom? The producer?

Mr. Appleton: No, no, to the retailers.

Mr. Poole: And in connection with a paragraph on page two.

Mr. Appleton: That's to the producers.

Mr. Poole: Yes and is it your position that no discounts are ever negotiated with the producers?

Mr. Appleton: That's right, sir.

Mr. Poole: You know of none?

Mr. Appleton: I know of none.

Mr. Poole: And I take it from your position in the processors' association if there were such discounts they would come to your attention sooner or later. Am I correct?

Mr. Appleton: Not necessarily, no.

Mr. Poole: I see.

Mr. Appleton: The association really is not involved with how individual members operate. All we can indicate is that information, as in all trade organizations, gets passed around. We know it goes on.

Mr. Poole: So the board price is fixed?

Mr. Appleton: The board price is fixed and no discounts on that exist that we are aware of.

Mr. Poole: I see. Thank you.

Mr. G. I. Miller: I was wondering, Mr. Appleton, how many processors are there in your association?

Mr. Appleton: About 14.

Mr. G. I. Miller: Who are they owned by?

Mr. Appleton: Some are private, some are owned by partnerships and some are corporations.

Mr. G. I. Miller: Is any processor connected with the food chains? You indicated that the largest processor withdrew from your association. Which one was that?

Mr. Appleton: Maple Lodge.

Mr. G. I. Miller: Do they have any connection with the food chains?

Mr. Appleton: Not that I am aware of.

Mr. G. I. Miller: How much was imported last year from Quebec and the United States?

Mr. Appleton: I don't know how much is imported from Quebec. Quebec and Ontario have a reciprocal arrangement in which approximately 30 million to 40 million pounds is imported on a regular basis and has been for a number of years.

Mr. G. I. Miller: From the USA?

Mr. Appleton: No, from Quebec. Quebec shares the Ontario market. What has come in from the US would be approximately 50 million pounds.

Mr. G. I. Miller: Do you anticipate that type of importation this year, with the devaluation of the dollar?

Mr. Appleton: It is down considerably.

Mr. G. I. Miller: We could be in an exporting position if we had the product?

Mr. Appleton: No.

Mr. G. I. Miller: We could compete on the American market if we had the product?

Mr. Appleton: At the present time?

Mr. G. I. Miller: Yes.

Mr. Appleton: I doubt it.

Mr. G. I. Miller: You also indicated that in the western market, 95 per cent was frozen—

Mr. Appleton: No, 90 per cent is sold frozen, yes.

Mr. G. I. Miller: And 95 per cent was sold fresh in Ontario. Could that frozen market be enlarged?

Mr. Appleton: We would love to have it that way but the public will not. It's a very peculiar thing about us easterners, we will go into the store and buy them fresh and take them home and freeze them, but we won't buy them frozen.

[11:15]

Mr. G. I. Miller: Do you supply the western market then?

Mr. Appleton: No, very little.

Mr. G. I. Miller: Is it all produced in the west?

Mr. Appleton: It's self-sufficient, mostly self-sufficient; they do import occasionally. Quebec and Ontario have both shipped to western Canada in the past six months.

Mr. G. I. Miller: Thank you, Mr. Chairman.

Hon. W. Newman: I have many questions, but I am going to cut it to one. As a processor, Mr. Appleton, you have the right to appeal to the Farm Products Marketing Board regarding quota allocation and pricing. Have

there been any instances where the Farm Products Marketing Board reduced both the quota in some cases and the price in other cases?

Mr. Appleton: Without getting into the details of that appeal procedure, one of the things that has been of great concern to the processors' association is the appeal procedure under which we operate right now. It is really, in our opinion, completely illegal; to appeal a quota, you know, is like trying to grab a handful of smoke. How do you appeal a judgement decision? You generally appeal against a grievance that has occurred. It is after the fact. You can't go before a body like the Farm Products Marketing Board and sit down there and say: "This is what we think is going to happen" and the other side says: "That's what we think is going to happen." It is like trying to get a landlord and tenant together to agree on what the rent is going to be. So that part of the set up is, in the opinion of the processors, really an exercise in futility. But when the act permitted negotiation and it was a proper arbitration and conciliation procedure set up like there is in other areas, then it had a meaning. It doesn't have any meaning to processors as it exists at the present time.

Hon. W. Newman: Well then, let me get more specific then. Is it not true that the Farm Products Marketing Board within the last six months actually cut back the quota allocation that the producers wanted?

Mr. Appleton: Yes sir, they have.

Hon. W. Newman: Is it not true that the Farm Products Marketing Board cut back the prices sometime within the last six or eight months; or whatever it was, I've forgotten? Or perhaps I'll ask the board.

Mr. Appleton: I know they cut back on the quota that was asked.

Hon. W. Newman: But they did cut back? I mean, do you have an appeal process through the Farm Products Marketing Board, and has it cut back on both quantity and price in the last six or eight months?

Mr. Appleton: Yes, sir.

Mr. Chairman: All through, Mr. Minister?

Hon. W. Newman: Not really.

Mr. Chairman: Mr. McGuigan.

Mr. McGuigan: Mr. Appleton, as a producer of other products, I kind of sympathize with the position you are in, but I think our forum is really concerned with trade practices, rather than your particular troubles. And so to address myself to those: do you watch retail prices in your organization? Can

you pass any opinion on as to whether or not retail prices closely follow these discounts that are brought about from time to time due to shortage of prices and so on?

Mr. Appleton: I can't answer that because the association does not follow the retail pricing. That information is collected, however, by the federal department and is available, and on occasions we have used it and it's sometimes very revealing in exactly what pricing is going on.

Mr. McGuigan: But is it not a function of your association?

Mr. Appleton: No, sir.

Mr. McGuigan: Just one other quick question, again on the philosophy. I've heard Charles Munro, a past president of the Canadian Federation of Agriculture, say on many occasions that the poultry industry is not a farm industry any more in the United States, that it's virtually out of the hands of the farmers. It's owned now by brewing companies and feed companies. Would you agree with that statement?

Mr. Appleton: Getting a bit into the philosophy, my own personal opinion is that the chicken broiler industry is not necessarily considered a farming industry; it's a commercial enterprise. The economies are scaled, as are the advantages that can come about. It is a completely confined business; it can exist on a very small acreage of land. It can fit into other farm operations, but it does not necessarily follow that it do so. This is the way it has developed in the United States; and very few of the feed companies, incidentally, now own brooder operations in the United States. They got out of it. They found it was not profitable. The people who are now running the industry in the United States are large integrated chicken operators with their own hatcheries, their own feed mills, and some of them, maybe, have even got their own soybean expelling plants. It's a highly integrated and highly-specialized technical business.

Mr. McGuigan: You'd say then that—one country versus the other—Canada is less integrated than the United States?

Mr. Appleton: Oh yes, much more.

Mr. McGuigan: There are more farmers involved?

Mr. Appleton: Except in the province of Quebec. They're highly integrated in the province of Quebec.

Mr. McGuigan: That's all the questions that I have.

Mr. Chairman: Mr. Yakabuski.

Mr. Yakabuski: I just have a couple of quickies, Mr. Chairman.

You mentioned the movement of poultry products from the province of Quebec to Ontario. I think the figure you used, if I recall correctly, was 30 million?

Mr. Appleton: Yes, 30 million to 40 million.

Mr. Yakabuski: Is there any reverse flow at all?

Mr. Appleton: Yes, some, but it's on a much smaller scale and it occurs only when a surplus exists in Ontario and we want to cut the price to get out of Ontario.

Mr. Yakabuski: Have you any idea what that figure might be in any given year?

Mr. Appleton: It's not a substantial amount.

Mr. Yakabuski: It's mostly an inflow rather than an outflow as far as the Ontario producer is concerned?

Mr. Appleton: Yes.

Mr. Yakabuski: The other thing you mentioned, not so much your concern, is that you'd like—and that it would be in the best interests of the industry—to see more of the product sold in the frozen state. Don't you think that perhaps packaging has a lot to do with what the housewife or the poultry buyer does in the supermarket today? It looks much more attractive in an unfrozen state the way it's put up today, than if it was packaged differently. Maybe you could convince some people to package it differently, without disguising an inferior product, and thereby making the frozen product more acceptable which, in turn, would be of benefit to the industry.

That's all I have, Mr. Chairman.

Mr. Chairman: Mr. Riddell?

Mr. Riddell: Thank you, Mr. Chairman. A short question.

You indicated in a reply to a question that federal statistics are very revealing. Now obviously you're aware of such statistics. Can you tell us whether the retail price is related to the discounts given to the processors? In other words, is the discounted price passed on to the consumer?

Mr. Appleton: By and large the chicken business over the past number of years has been used as a loss-leader by the chain stores, and sometimes they sell their product at two, three and four cents below what they pay, including the discount. They're loss-leaders, and it happens quite frequently.

So any relationship that exists between what they sell it for and what the discounts

are would be very obscure. That wasn't what I was referring to. I was referring to the federal department which keeps statistics on what is going on at the chain stores. They can tell you at any time the average price the item is being sold for. They have a collection system for getting that information that the association doesn't have. When we need that information we go to them.

Mr. Chairman: I see.

Mr. Appleton: There is no other significance in my remarks than that.

Mr. Riddell: I think it's important that we try to clear the record and the charge that was made in the House. Are you prepared to say whether the discounts charged by a company are paid back to that company or whether it's placed into a trust fund which is deposited in another jurisdiction? I think Mr. MacDonald was trying to get at this and I think you were somewhat vague in answering the question.

Mr. Appleton: Well I'm vague because I don't know. I don't know about these trust funds. I have been here and I have learned a lot about what kinds of things exist since attending these meetings.

Mr. MacDonald: It has been an educational process.

Mr. Appleton: Yes, it has been very interesting. We have got some new tricks.

I am not aware that this takes place in the chicken business. Well, I will ask the president of the association: Are you aware of any?

Mr. Gowanlock: No, I am not aware of any discounting of the type you are referring to. I know what you are talking about—where, at the end of the month you issue a cheque back to the buyer, as such. I am not aware of that happening in the poultry industry, but, again, I cannot speak for the industry or for the individual processor, because what each individual does with his business is none of my business; so I am not aware of it.

You also mentioned discounting. When discounting takes place, it is primarily in the form of a price between a processor and a retailer to move a surplus product. In other words, if each segment of this industry were getting the margin it should, there would be too many pounds of poultry being produced in this province and discounting would disappear.

Mr. Riddell: But to ask you the question: do you feel discounted prices are passed off to the consumer? Let's forget about a loss-leader for now. Maybe it is used as a loss-leader occasionally, but this discounting

practice is going on all the time. You indicated yourself, Mr. Appleton, that there is all kinds of discounting. It is not unusual; it is going on.

Do you feel that the discounted prices are being passed off to consumers?

Mr. Gowanlock: Not specifically. I couldn't really answer it. I don't know how they handle it—if they get a discount cheque back or whatever. I don't know whether they pass that on to the consumer or not. The only discounts I know they do pass on will be in the form of a feature where they will use chicken as a loss-leader.

Mr. Chairman: Thank you, Mr. Riddell. Gentlemen. I would like to thank you, Mr. Appleton and Mr. Gowanlock, for appearing before the committee.

Can we call on Mr. Stan Howe, vice-chairman of the Ontario Chicken Producers' Marketing Board?

Stanley Howe, sworn.

Mr. Chairman: Mr. Howe, would you like to go ahead, please sir?

Mr. Howe: Thank you, Mr. Chairman, members of the committee.

I am filling in for Jim Chalmers who is unable to be here. I will read what we have here. I may comment in a place or two.

The Ontario Chicken Producers' Marketing Board regulates the marketing of broiler chicken and roaster chicken under the authority of the Farm Products Marketing Act.

Three main areas—and these are found in the Farm Products Marketing Act—are the allotment of quotas to producers to produce and market chicken, the establishment of terms and conditions of sale by producer to processor and the determination by the local board of the minimum prices to be paid by processors to producers.

Producers make their own arrangements to sell their chickens to processors, and the local board only intervenes when it comes to its attention that the current price is not being paid or there is some contravention of the terms and conditions of sale.

When a contravention occurs, the secretary of the local board writes to the person who has not paid the current price or has contravened the terms of the regulation requiring him to come into compliance, and in most cases the persons have complied. In only one case has it been necessary to prosecute the processor who failed to pay the current price for roaster chicken; the processor was convicted and then paid the producer the deficiency in price.

[11:30]

The local board considers that it has the responsibility to see that the prices are paid and the terms of the contract complied with, as producers are usually reluctant to take court proceedings on their own to enforce their rights. In the case of the prosecution, the board directed the secretary to lay the charge, and the producer and a representative of the processor were subpoenaed to give evidence at the hearing.

In an effort to ensure that the producers are paid, the minimum prices are established by the local board. Processors must provide the local board with copies of each settlement statement, showing the number of pounds of chicken purchased from the producer, the price per pound paid, the deductions, if any, and the net amount paid to the producer.

Although the local board has no authority over the dealings in chicken between the processor and the retailer, it considers the practice of discounting to be most undesirable since it could have downward pressure on the price paid to the producer and could, if it becomes widespread, impair the financial capacity of smaller processors. If a processor becomes insolvent, his producer would not be paid.

The primary function of the local board is to operate a supply management program under terms that are equal to all producers, large and small. This will stabilize the entire chicken industry for the benefit of each segment. We feel we have accomplished this. Along with this we have shown here a cost-price comparison, and it deals primarily with the two- to three-pound eviscerated product.

Hon. W. Newman: Just one quick question: In the second last paragraph of your statement, you point out that "although the local board has no authority over the dealings" and so on, "discounting could have downward pressure on the price paid to the producer and could, if it became widespread, impair the financial capacity of smaller processors." Have you any indication to believe that in the past the pressure has forced the producers to lower their prices because of the discounting practices that may go on between processors and the chain stores or the retailers?

Mr. Howe: No, not really.

Hon. W. Newman: That's all. I just wanted to clear that up.

Mr. S. Smith: Just a brief question, sir. I'm looking at this chart with considerable interest, and I'm wondering if you can perhaps assist me in understanding what these

lines mean. To the untrained eye such as my own it looks to me as though the live producer price has not gone up a heck of a lot. The cost of production has sort of been around the same range. The meat cost has gone up maybe a trifle more than the cost of production, but not much more. But there's a big spread that appears then between the wholesale cost and the meat cost, a spread which most recently was 26 cents and which in the past, I guess, has been about 17 cents on average. Then the spread between wholesale and retail is 29 cents at the moment, a spread which over the past year or so has been about the same, 27 cents or so. Why the jump between the meat cost and the wholesale cost? What happened?

Mr. Howe: Because the retail stores realized that we were going to have a shortage of chicken.

Mr. S. Smith: Forgive me, my experience in this business is not lengthy: take me through this slowly. The retail stores saw a shortage coming along. There weren't many birds in the field; is that the idea?

Mr. Howe: That's right. Our current production is below what it should have been. Referring back to an appeal that was made in January by the processors, the Farm Products Marketing Board split it down the middle and we're short quite a few pounds of chicken as a result of it. I should point out here that this isn't the only fact. There's a shortage of eggs accounting for some of this; there are a number of areas here which all added together to cause this shortage.

Mr. S. Smith: So there's a shortage at the producer's level, I guess.

Mr. Howe: That's right.

Mr. S. Smith: But he's not able to raise his prices as a consequence of this shortage. Why can't he raise his price as a consequence of this shortage?

Mr. Howe: As far as we're concerned, we could raise our price, but we have always followed the cost of production and under the AIB — naturally we're not under that really, but we have followed a similar cost pattern and we did have a cost of production taken and this is what we've been following. We are a bit above it now, but as you look back over the line, over the last year, you see there how much lower we were than the cost of production. We're attempting at this time to maybe get some of that back.

Mr. S. Smith: What I don't understand, sir—and again it may be an obvious answer, and forgive me if I've just missed something very basic, I don't pretend to know your

business here—what I don't understand is if, in fact, there is a shortage coming up and you can see the shortage—because it's at your place, presumably, where the shortage is most obvious—why don't you raise your price instead of just sticking to costs of production? Is there some law that restrains you from doing that?

Mr. Howe: No, there is no law in the actual sense of the word law, but we are also in competition with the American chicken coming in; and at the present time, if we got too much higher, that would encourage more imports than there are already.

Mr. S. Smith: I see, so you're under competitive pressure from the Americans—

Mr. Howe: Certainly there.

Mr. S. Smith: —and that forces you to stick pretty close to the cost of production there, so you can't take advantage of the fact there's a shortage. Why is there a shortage? Because of unanticipated market changes or has there been a disease or something?

Mr. Howe: No, we point out that there was a shortage of eggs, the weather conditions last winter caused a problem with laying flocks the price of beef, as everybody's talking about, has escalated; the pork price hasn't dropped the way that people felt it would; and naturally there's a lot more pressure on the poultry products.

Mr. S. Smith: I understand. I would have thought that the high price of beef that would increase the price of poultry, would it not? I mean, why not?

Mr. Howe: Naturally it increases the buying of poultry, and we just have so much of a supply, so we are being shorted right now. We aren't able to supply it all.

Mr. S. Smith: So you are under competitive pressure. The meat people are under similar competitive pressure. Who's selling the meat?

Mr. Poole: Mr. Smith, could you clear up what the term meat cost means? Does that mean beef and pork, or is it anything to do with chicken?

Mr. S. Smith: No, it's chicken I think. What is the meat cost?

Mr. Howe: The meat cost is the cost of the chicken to the processor.

Mr. S. Smith: That's what I figured. It hasn't gone up very much. I guess the producer gets that meat cost. Is that right? Who gets that meat cost?

Mr. Howe: The processor needs so much to pay for that meat and the meat cost there

is what it cost him over and above our price, which is one third higher than say the live price.

Mr. S. Smith: Okay, it's his cost, it's what he pays to you plus certain other things he has to do.

Mr. Howe: Yes.

Mr. S. Smith: That hasn't gone up an awful lot either, really just a little here.

Mr. Howe: That's right.

Mr. S. Smith: Okay. Then there's a big jump in what he's getting. Are you suggesting that he's getting a whole lot more money now than he used to and that he's profiting from this situation?

Mr. Howe: Yes, he is at the present time. I should volunteer that they had a cost of production study done as well and their cost of processing is somewhere around the 20-cents mark.

Mr. S. Smith: It may mean that they deserve the extra money, I don't know, but what you are saying is that the big increase in spread has occurred between the cost to the processor and what he charges the retailer. There has been a big increase in that as a consequence of the shortage, a shortage which seems to have benefited them but not you, and as far as the retailer goes his spread is still about the same as it was before. That's what you are saying basically. I just wanted to understand what you were saying. It's a pity we didn't have you in reverse order. I would like to hear what the processor would say about that.

Mr. Eaton: I just might say that I think the processor did comment that things were a little better for them right now than it had been in the past because of that. I wanted to ask you a question about the clearance of the surplus at times. Has the board ever adjusted prices, say on a weekly basis or at a particular time to meet competition coming in from the US?

In other words, the processors have indicated that because of surplus situations they seem to bear the load all the time and that if there's a surplus they have to take the reductions and narrow their margins and the producers don't do that. Do you consciously make that decision to do it at any time at the board setting the price?

Mr. Howe: If you refer to the chart again, you can see at the beginning of the chart where we were priced according to our cost to production.

Mr. Eaton: So that's certainly a consideration in setting your prices—

Mr. Howe: Very definitely.

Mr. Eaton: —meeting your competition and clearing surpluses that might be indicating that they are going to build up on you. Likewise, although you haven't taken a great deal of advantage of the fact that there is a shortage right now, it has helped your price situation some too?

Mr. Howe: Very definitely.

Mr. Eaton: So, in other words, the market and production conditions affect you as producers, and your board pricing, just the same as it does affect the processors.

Mr. Howe: That's right.

Mr. Eaton: If you look at the prices indicated on the spread in the processors' area they're fairly constant. They may not have been enough in the eyes of the processors, but they're fairly constant. They haven't taken a great variation at different times.

Mr. Howe: As you look at the chart, that's the way it shows.

Mr. Eaton: You indicated that the board can take action against people who might contravene the board price, in other words a processor who tries to make a deal with a producer and offers him less than the board price. Have you had to take that action?

Mr. Howe: As I indicated in the brief, we have, yes.

Mr. Eaton: How many times?

Mr. Howe: One, as far as carrying it on through to a hearing and a procedure.

Mr. Eaton: How recently?

Mr. Howe: Two years ago.

Mr. Eaton: So you would say then, with all the statements and so on coming in, that there is not a practice existing where the processors are in any way discounting the producers.

Mr. Howe: Definitely not.

Mr. Eaton: You are quite satisfied with that as a board, that it is not taking place.

Mr. Howe: That's right.

Mr. MacDonald: Mr. Chairman. I think one or two of the questions I wanted to ask have been answered. There is only one instance of a price below the regulated price having been paid that you've followed through into the courts?

Mr. Howe: That's right.

Mr. MacDonald: Picking up on the last question of Mr. Eaton, I'm interested in your apparent confidence that you're getting all the information. Is it not possible that because of the competitive market a producer on

occasion is pressured or coerced into taking the lower price and not reporting it to you?

Mr. Howe: I suppose there is a possibility, but as far as we're concerned as a board, we do not know of any.

Mr. MacDonald: My question really is how valid is your confidence that you are getting all the information and that there has not been more than one breach of a lower payment than the regulated price?

Mr. Howe: If we have any thought that this is a possibility, we have the authority to have auditors check the processors' books if we are not sure of the figures we see on paper.

Mr. MacDonald: One of the things that disturbs me about this whole situation is that I was talking—and it is not in your field, but it is a generally related field—to a very knowledgeable person in the field and he was disturbed at the number of times out in the country he got the reaction of people saying, "Why rock the boat? Sure, we may be getting less than we're entitled to, but that's part of the free enterprise system," so to speak. I'm just seeking more assurance than you have given, though you have given pretty blanket assurance, that there is no more widespread breach of the regulated price because of people getting co-opted into the system.

Mr. Daniel: Mr. MacDonald, maybe I can help you on that, under the act the board has the right to require settlement statements between the producer and the processor and they are required to file them with the board, so if there is any price differential, the board is immediately informed about it and will take the necessary action.

Mr. MacDonald: Is it a regular practice?

Mr. Daniel: A regular practice.

Mr. MacDonald: All the sales?

Mr. Daniel: Yes, the settlement statements come in and it's a regular practice, so they're advised of that immediately and will take the necessary action.

Mr. MacDonald: Are those statements subject to any kind of an audit?

Mr. Daniel: Yes. If there is any reason to suspect that those statements are not correct, then we have an auditing procedure under the regulations that will allow the board's auditors to go in and conduct an independent audit. If that audit is refused, the producer can be prosecuted under the act for refusing to allow the audit.

[11:45]

Mr. MacDonald: How frequently have you audited the documents that came in to you to make certain they were the truth, the whole truth and nothing but the truth?

Mr. Daniel: Once a year.

Mr. MacDonald: You do it automatically once a year, with every producer?

Mr. Howe: Every processor.

Mr. MacDonald: Okay. May I come back to the chart and just a couple of more questions following up the line that Mr. Smith was pursuing. I'm a little intrigued at the apparent paralleling of live producer price in the cost of production. At the beginning of your chart, which was at the beginning of 1977, you were getting distinctly less—well, significantly less, marginally less—than the cost of production. Now, with a market in which there is a shortage, you're getting a little bit more. Why isn't it much more, if you have an opportunity? You don't live totally by the cost of production formula. You vary at some time in setting your price.

Mr. Howe: That's right.

Mr. MacDonald: If you have a position at the moment in which there is a shortage and, as has been pointed out, the wholesaler and the retailer are really exploiting that shortage and making something of a killing, why don't you as the producer board, if you don't live totally exactly in accordance with your cost of production formula?

Mr. Howe: As I pointed out, we have other market factors here and we're attempting to produce for the Ontario market. The more imports we encourage to come in, the worse it's going to be for us. If we are to raise it too dramatically—right at the present time, even with our money situation, we see a fair number of imports coming in every week even now, somewhere in the neighbourhood of 800,000 to a million pounds.

Mr. MacDonald: So the system is inflexible. It doesn't permit you to take any significant advantage from a shortage in the market, but obviously at the retailer and wholesaler level they can exploit the situation pretty fully.

Mr. Howe: That's about it. I might point out that in the cost of production study and under a national plan we'll only be allowed probably to move so far, one way or another, from the cost of production.

Mr. S. Smith: Could I go in with you on this for just a second? Who does the importing? Is it at the wholesale level or the retail level that the importing might be done that you're worried about?

Mr. Howe: Both of them.

Mr. S. Smith: Why hasn't it bothered the processors? They seem to feel free enough to raise their price, even though that might encourage importing, whereas you try to be what you say is responsible and keep the imports from coming in.

Mr. Howe: What we're attempting to do is get more production out there. I'm not saying that is the ultimate, that we stay right where we are, because we certainly would like to get more and we attempt that, but I'm just explaining some of the reasoning behind not going any faster than we are. As you can see there, in the last five or six weeks we've raised up three or four times, attempting to keep up with that escalating.

Mr. MacDonald: Mr. Chairman, I haven't a question that would be fair to put to these people but I think there is a point our committee should take cognizance of. The point that Mr. Smith was drawing attention to of a 55-cent spread beyond the meat cost at the processor level being taken by the wholesaler and retailer, bear in mind, that for the great proportion of the market, the supermarket is one and the same corporate family. The wholesaler is owned by the retailer. They're all in the Loblaw-Weston empire or they're all in the Dominion-Argus empire. In terms of the corporate intake in revenue and profits it's all in the same company, though it may be in a different pocket.

Mr. Eaton: I'd like some verification of that, Mr. Chairman. There is no indication. I think the indication was, when Mr. Appleton was before the committee, that he was aware of none of the processors that were owned by any of the chain stores.

Mr. MacDonald: I'm not talking about processors, I'm talking about wholesalers.

Mr. Eaton: That's where the spread is.

Mr. MacDonald: The spread is between the processors and the wholesaler. The wholesaler price is 26 cents more than the processor.

Mr. Eaton: No, that's the price from the time the processor gets the meat to the time he sells it to the retailer.

Mr. MacDonald: Right. The wholesaler is upping the price 26 cents.

Mr. Howe: It's costing him 20 cents, at least, to process it.

Mr. Eaton: That's the processor. His meat cost, without any processing added to it, is at the 45-cent level.

Mr. MacDonald: I'm sorry. Let me go back and clarify a point that I understood, perhaps inaccurately, that Mr. S. Smith was making. The meat cost there is what the

processor has to pay the producer plus his own costs.

Mr. Howe: No. After what they take out of the chicken—the feathers and everything—what is left is meat cost. Meat cost is a third higher than the live.

Mr. MacDonald: When you have a retail price, is it the price that is charged the retailer, and not the price that is charged to the consumer?

Mr. Howe: The retail price is the price that is charged to the consumer.

Mr. Poole: May I explain that? Do you agree with me that the difference between the cost of production and the meat cost is the difference between the live and the dressed bird?

Mr. Howe: In meat cost. Right. The other area of the 26 cents is the cost to the processor in actually processing that bird.

Mr. MacDonald: I'm sorry; perhaps I am missing something here. The wholesale price is the price that the wholesaler buys it at from the processor? Right?

Mr. Howe: The retailer buys it from the processor at the wholesale price.

Mr. MacDonald: Just a minute. The processor finishes his product and he sells it to the wholesaler. The wholesaler makes a profit on it before he sells it to the retailer.

Mr. Howe: No. Let's just start at the bottom. Our price that we set, the processor pays to us.

Mr. MacDonald: Right.

Mr. Howe: At the point it gets to his plant it has cost him the meat cost.

Mr. MacDonald: Right.

Mr. Howe: Then he takes the processing cost and sells at the wholesale price to the retail store.

Mr. MacDonald: Are you suggesting there is no wholesaler between the processor and the retailer?

Mr. Howe: According to Loblaw's man the other night, there is; but they are one and the same as far as we are concerned.

Mr. MacDonald: I'm sorry, Mr. Chairman; I just cannot believe this. My understanding of the food industry—and I have been taking a look at it for a number of years—is that your wholesaler buys it from the manufacturer or the processor, wherever he gets his supplies. He makes a profit. He in turn sells it to the retailer. The retailer makes a profit.

Mr. Howe: Not as far as poultry is concerned. The processor is the wholesaler.

Mr. MacDonald: The processor is the wholesaler?

Mr. Howe: Yes.

Mr. MacDonald: It doesn't go through National Grocers or some such body as that before it gets to the retail store?

Mr. Howe: No. As far as we are concerned, they are the retailer.

Mr. MacDonald: As far as you are concerned they are the retailer?

Mr. Howe: Yes.

Mr. MacDonald: But National Grocers is making a profit before it sells it to the retail store.

Mr. Chairman: I think the minister would like to clarify that.

Hon. W. Newman: Maybe I can and maybe I can't. But let's just look at the chart for a moment. At the bottom is what you pay for, and the second line up is the meat cost after the bird has been eviscerated. Is that correct?

Mr. Howe: Yes.

Hon. W. Newman: The next step from the meat cost to the wholesaler includes the total cost of processing the bird, which you say is about 20 cents a pound. So he is working on a margin, according to this chart, of roughly six cents a pound. Is that correct?

Mr. Howe: Yes.

Hon. W. Newman: And that is the margin he has toicker with when he is selling to the retail trade. Is that a fair assumption?

Mr. Howe: That's right. There is no wholesaler in this, really.

Mr. MacDonald: National Grocers and the equivalent in Dominion—I have forgotten what it is called now—are wholesalers. They buy from the processors and they distribute to all of the stores. They have costs. They have margins that they increase before they pass it on to the retail store. I just don't understand your contention that, when the processor sells, that is the price that goes directly through to the retail store. It goes through a wholesaling arrangement. The whole wholesaling setup of IGA—

Mr. J. A. Taylor: Not necessarily—not in all cases.

Mr. Eaton: Not with regard to chickens.

Mr. MacDonald: Not with regard to chickens?

Mr. J. A. Taylor: A lot of processors sell directly to the chain stores; they don't sell to National Grocers first.

Mr. McGuigan: It's because the chicken is prepared that it can go directly to stores.

Mr. MacDonald: From IGA last night we got instances of where it was sold directly to a store, and that was one thing; but the great proportion of it was going through their wholesaling arrangement. And if it goes through a wholesaling arrangement, the wholesaling organization isn't a philanthropic organization. It is going to make a margin; it has costs. So there is going to be an add-on because of its handling of the affair.

Now if your contention is that all of the products in the poultry field go directly from the processor to the retailer, and never go through the wholesale operation, then I understand. But I must state quite frankly a disbelief.

Mr. Howe: That is the way it is. If there is any wholesale cost, it is between that wholesale cost and the retail. It is taken out of that area.

Mr. MacDonald: I'll leave it here, Mr. Chairman, but this is somewhat in contradiction with a lot of the studies that have been made of the food industry, because the contention is that the wholesaler is making his margin as is normally the case; he is one link in the food chain.

Mr. S. Smith: He can't warehouse his fresh chickens because they are so perishable. Why don't we just ask the previous witness who pays his bills? That will settle the matter. Does he get it direct from the chain store or from a middleman? Could we ask him?

Mr. Chairman: Can Mr. Appleton answer that question?

Mr. Appleton: I hope I can clear up the situation. The great bulk of the product is sold directly to the stores, with one exception: where the product is sent fresh to a warehouse at a discount, because it costs the processor more to handle individual stores. So the chains, if they have warehouse distributing facilities, will then have us ship it and we take less money for it. But if it is sold to Loblaws or Dominion, we get our cheques from those people; there is no middleman.

Mr. MacDonald: Okay, Mr. Chairman.

Mr. Riddell: In your second last paragraph, Mr. Howe, you expressed concern about the discounting practices in that it tends to have a downward pressure on the price paid to the producer. If the cost of production is one of the main criteria used in establishing producer price, why should you be concerned about the discounting practices as applied by the chain stores?

Mr. Howe: If there are discounting practices—we changed that paragraph a little bit,

because we had in there "if they existed"; we don't really know whether you want to call them discounting practices or what you want to call them. But any practice where the retailer is forcing down the processor price is going to eventually push us down.

Mr. Riddell: Why? Do you take into consideration the processor price when you are establishing producer price?

Mr. Howe: Very definitely. Yes.

Mr. MacDonald: That is when they go below the cost of production formula.

Mr. Riddell: Do you know if this is being done? Do you know if the producer price is being discounted?

Mr. Howe: The producer price is not being discounted. We might set the producer price lower than the cost of production; that's all.

Mr. Riddell: I see. So that pretty well clears up any of the charges that were made in the House that the stores insist on a kickback for all the broilers that they buy from some of the producers and independent processors. What you are saying is there are no kickbacks from producers.

Mr. Howe: Not from producers, no.

An hon. member: Who said that?

Mr. Howe: But let's clarify one thing here: There may be a processor who is also a producer; so I couldn't answer for that. The only thing is, according to our records all the information that comes through, even if that processor is a producer, on the forms that producer is paid the proper price as set by our board.

Mr. Riddell: So that situation does exist where you do have a processor who is also a producer?

Mr. Howe: Oh, yes.

Mr. Riddell: Is it common?

Mr. Howe: Percentagewise, it is not large.

Mr. Riddell: I see.

[12:00]

Mr. Yakabuski: Mr. Chairman, in his opening remarks he mentioned that to their knowledge only in one case has it been necessary to prosecute a processor who failed to pay the current price for roaster chickens, the processor was convicted and the processor then paid the producer the deficiency in price. To your knowledge, what happened to the relationship between that processor and that producer?

Mr. Howe: I have no knowledge.

Mr. Yakabuski: You don't know whether they're still doing business?

Mr. Howe: No, I don't.

Mr. Yakabuski: Could you find out and tell this committee, or counsel, if after taking this processor the prosecution route he discontinued doing business with this producer? We've heard so many times that there are threats and other heavy-handed methods used if the producer doesn't toe the mark. Would you find out if there is still a business relationship going on between that producer and that processor and let counsel know?

Mr. Howe: Could I just explain? That particular person would not be the one, as I indicated there, who really took up the ball and looked after that situation. He would only be a witness in the fact. However the actual documents that came back to the board were far more informative than the producer himself—the cheque that was paid, the photostat copies of the different documents.

The board takes the initiative and says, "Look, processor, you paid the wrong price for this particular category of chicken." Sometimes it happens where there's a back-up of chicken in the field, the chickens get to a different weight range and there may be a different price at that other weight range. They were only guaranteed to pay him for the weight range of the particular weight they were expecting to get, so that's all they paid, possibly.

It was pointed out to them that this weight range that they were sold in was greater, and he had entailed extra cost as a result of the chickens staying in the barn that much longer, so he should be paid for that extra poundage, for the higher weight of the chicken.

Mr. Yakabuski: Fine. Where does that turn up? In an audit or is that information given to the board by the producer?

Mr. Howe: I'm not sure of that. I would have to ask.

Mr. Yakabuski: To get back to the relationship, what happens to a business relationship if a producer does give testimony, if a producer does "squeal," so to speak? I think that's the whole crux of a lot of these hearings. This is the kind of thing that we hear goes on, and we're trying to pin it down. I for one am most anxious to know what happened to this relationship here, because although the board took the action the producer was still a witness.

Mr. Howe: That's right.

Mr. Yakabuski: I am most anxious to know what happened to the relationship following this prosecution. May counsel have that information when you can provide it?

Mr. Howe: Certainly.

Mr. Yakubuski: The other thing is, you mention that processors especially are a little hesitant about raising their prices when the products are in short supply because of the fear of imports to an extent, and this hanging over your head would sometimes result in the producer especially, the processor too, perhaps, not making a fair margin. Is that correct?

Mr. Howe: That's right.

Mr. Yakubuski: Would this be because of our federal policies, especially with regard to imports?

Mr. Howe: Yes.

Mr. Yakubuski: I don't mind interprovincial movement so much but, when it comes to imports, I think we look on them a little differently. Has your association or group made strong representation to Ottawa with regard to imports?

Mr. Howe: We have, sir, and we are still waiting for the answer. It's practically two years now that we have asked for a national agency which we hope would control our imports.

Mr. Yakubuski: Are you getting anywhere?

Mr. Howe: Our answer is "soon."

Mr. Yakubuski: According to the latest Gallup poll you may get some place soon.

Mr. Swart: First, Mr. Chairman, I just want to raise a point of order in two respects. First of all, there is some agreement that time will be divided equally?

Mr. Chairman: That is correct.

Mr. Swart: Could I have a list of the times that the parties have used up this morning?

Mr. Chairman: I think we are keeping pretty well in line, Mr. Swart.

Interjection.

Mr. Swart: No, they're not.

Secondly, I thought it was agreed this morning that we were going to deal with each of the people who were going to appear before us in 50-minute periods.

Mr. Chairman: That is correct.

Mr. Swart: We haven't yet finished the first one. Is that correct?

An hon. member: Are we not on the second one?

Mr. Swart: The second one was the Greenhouse Vegetable Producers' Marketing Board, I thought.

Mr. Chairman: That's right, but the committee has been a little long-winded as usual; so please go ahead.

Mr. Swart: I suggest, Mr. Chairman, if that was an agreement, it's your responsibility to see that it's kept within that.

Mr. Chairman: Just a minute now. I don't like that remark, because Mr. MacDonald was followed by Mr. Riddell and Mr. Yakubuski and then you. I have been very fair.

Mr. Swart: You misunderstood me, Mr. Chairman. What I was saying was, if we had agreed at the beginning that we are going to hear the three this morning because we wanted to get through them all before the end of the hearing, I suggested it was your responsibility to allot the time so they could get through and now we are still on the second one.

Mr. Chairman: Mr. Swart, I cannot muzzle the committee.

Mr. Swart: I think if there is an agreement by the committee, then you should carry out the instructions of the committee. However, Mr. Chairman, there are two areas that I want to pursue.

I hope my understanding of this chart is correct. When the chart talks about the wholesale price, that is the price that the processor sells it at. Is that right?

Mr. Howe: That's right.

Mr. Swart: And the retail price that you have shown here is the average retail price of the supermarkets, or the retailer. Is that correct?

Mr. Howe: That's right.

Mr. Swart: This question perhaps could more directly go to Mr. Appleton but, as you have produced the chart here, we will put it to you. We had evidence from Mr. Appleton that the chickens were being used as loss leaders. When I look at this chart and compute the markups, it would appear that on the average the retail price is about one third higher than the wholesale price. In your opinion generally, would you say it's being used as a loss leader? There is a very ample markup of one third; in fact, the markup is almost as great as the price that the producer is getting.

Mr. Howe: I'm not just too sure how to answer that, because this chart indicates the average price of a two- to three-pound eviscerated product. As far as discounting and this sort of thing is concerned, I don't see any here; the only thing is that the price of cuts and that sort of thing makes quite a difference. If Mr. Appleton stated there were times when they sold for less than this, we would grant them that; and possibly at that point those were being used as loss leaders.

Mr. Swart: I understand you, but what you have here is the average retail price of the sale of chickens, and that is now at \$1.05. Is that correct?

Mr. Howe: These are CDA figures that we are using here.

Mr. Swart: That's average retail sale price.

Mr. Howe: Yes.

Mr. Swart: The average wholesale price quoted here may or may not include the discounts; I assume it does, but whether it does or not, the point I'm trying to make is that the markup from the wholesale price to the retail price is 29 cents at the present time. If you compute it over this period of 16 months, the mark-up on the average has been about 33 per cent from the wholesaler to the retailer. Do you think it's being used as a loss leader by the retail stores when they're getting a 33 per cent mark-up on the average?

Mr. Howe: Maybe it's costing more than 33 cents to handle.

Mr. Swart: I would question it costing as much to handle as it does for the farmer to produce it.

Mr. Howe: I'm afraid as a producer I couldn't really answer this intelligently.

Mr. Swart: Perhaps more appropriately it should have been asked of the previous witness, but he is no longer here and maybe he will not be too familiar with that. It should go to the supermarket. But it seems to me there is a pretty substantial mark-up from the wholesale to the supermarket. The supermarket may be using a very strong bargaining position to drive the price down to the processor and keep it up to the consumer.

Mr. Riddell: Maybe the mark-up is much higher than other profits, so they consider this to be a loss leader when they don't make the same mark-up.

Mr. Swart: It may be, but it's hard to see this as a loss leader. What is the average difference on the cost of production between the United States and here in the broilers? Are you aware of that?

Mr. Howe: We don't have any actual figures.

Mr. Swart: Is the five cent import duty adequate to make up for that difference, in your opinion, in the cost of production, considering climate?

Mr. Howe: I can't relate really on this. All we can relate is what it would cost to buy the live product from across the border. All

I can say is that apparently they're selling at a sufficient price that is almost even with us when it comes across the border and is laid at the processing plant.

Mr. Swart: At almost even now or almost even when the money was of the same value?

Mr. Howe: Now.

Mr. Swart: Has the farm marketing board—I think there was some evidence previously—lowered your price on appeal on one occasion?

Mr. Howe: Yes, a year ago last January.

Mr. Swart: What was the reason that they lowered the price at that time? Did you feel it was just?

Mr. Howe: Naturally, we didn't feel it was just, but their reasoning was that the processor could not sell it at a reasonable price.

Mr. Swart: Therefore, it was because of the lower United States imports—

Mr. Howe: That's right.

Mr. Swart:—that it couldn't be sold. Have you any method now because of the difference in the money of getting an increase in your price due to the fact that the competition is not too keen from the United States? I know your price is up now, but is that based on the cost of production? It's just barely above the cost of production. This question was pursued before by Mr. Riddell to some extent. Does the Farm Products Marketing Board exert any pressure on you to keep the price down at this time?

Mr. Howe: No.

Mr. Swart: Or is the price set by your board on the basis of what you think you can get from the market?

Mr. Howe: It is set on what we feel we can get from the market.

Mr. Swart: Yes. That includes the very substantial mark-ups at the retail level. It would probably be true that if there wasn't that large a mark-up at the retail level you could get a higher price for it.

Mr. Howe: That's right. We could move more product at a higher price.

Mr. Swart: Yes. Once again, I want to come back to that because that seems to me the significant thing, that all through all this time there has been a mark-up of about one-third, according to your chart, from the wholesale to the retail price.

Mr. Howe: That's right.

Mr. Swart: That would appear to be either an excessive mark-up or something wrong with the marketing system.

Mr. Howe: They're out to get what they can get. I suppose we can't blame them.

Mr. Chairman: All through, Mr. Swart?

Mr. Swart: Can I ask one other question? Just as a matter of interest, I noticed that Mr. Appleton's report stated that 50 per cent of the eggs are imported for the production of the chickens. Can you tell why this is? Do you know why you import 50 per cent of all the eggs from the United States?

[12:15]

Mr. Howe: It's a cost factor again. In the case of a number of hatcheries, all their supply of eggs have come from the United States; they were the ones that got hurt the worst this past winter, because they had to pay premiums to get them. That's why there's a shortage.

Mr. Swart: Can they not be produced here economically, or are there no import quotas or duties whatsoever on the importation of eggs for those purposes?

Mr. Howe: That's a business decision of each hatchery division; whichever division—

Mr. Swart: No, do you know if there is a duty on the eggs coming in?

Mr. Howe: I'm not aware. I don't know.

Mr. Swart: Perhaps the minister could answer.

Hon. W. Newman: The only thing is, you are talking about hatching eggs as opposed to a number of things. I can't tell you if there is any specific duty, but I know that there is no process—no marketing board per se—in place for hatchery eggs.

Mr. Howe: Don just informed me the tariff is two and a half cents a dozen for hatching eggs.

Mr. Swart: But there's no board whatsoever for those. That's interesting.

Mr. Chairman: Just to bring you up to date, Mr. Swart, on the time consumed by each party: PCs 31 minutes, NDP 37 and Liberals 26. Mr. Nixon, please.

Mr. Nixon: Mr. Minister, do you mean to say that, with the two and a half cents per dozen at the border, we don't have a fertile egg industry here at all?

Hon. W. Newman: Oh, yes.

Mr. Nixon: Okay. All right. I'd like to ask Mr. Howe whether, in the cost of production, there is a factor for return on capital investment.

Mr. Howe: Yes.

Mr. Nixon: Then you are not really going down the drain when the cost of production

is half a square above your live producer price.

Mr. Swart: Look at last summer.

Mr. Nixon: Last summer is different. If I had time, I'd ask him just what brought the cost of production down so spectacularly.

Mr. Howe: At the first part of our chart?

Mr. Nixon: From June 1977 to October 1977.

Mr. Howe: The price of feed dropped dramatically towards the end of the summer and early fall as the new crop corn came off; there were a number of issues here.

Mr. Nixon: So in the cost of production there is a factor involving the return on the capital of the primary producer.

Mr. Howe: There is, but this gets into a bit of a ticklish area with some accountants. The P. S. Ross study that we did allows us 50 per cent return on capital investment.

Mr. Nixon: So if your live producer price is identical with the cost of production, you are making 50 per cent on your capital investment.

Mr. Howe: Nine per cent.

Mr. Nixon: Nine per cent. Okay. I was interested in your comments that really the price was almost identical with the cost of production; you didn't feel you had any leeway because of the threat or competition of American chickens. Have you any idea how the competition is at the other end of the scale? What do you pay for chicken in Buffalo? Does anybody know?

The reason I ask is that we have been discussing the impact of American regulations in separating wholesalers, retailers and producers. They have got to be more at arm's length, according to my understanding of those statutes, so you don't get the kind of vertical integration where the retailer is also the wholesaler, which happens. It's very difficult to find out what the spread is, other than you know that it is abnormally large compared with the American experience. One of the alternatives we might consider would be the application of at least some of the American regulations to kind of bring that out in the open and cut back on some of these arrangements.

You have no idea what the retail price would be, because you are controlled by the cost that is the live producer price—or the meat cost, I suppose—compared to the Americans. But it seems to me the retail price is not in any way related to that. The indications are it's always cheaper over there; so they can import it at this very competitive

price—you find it very competitive anyway—and then sell it without the competition that has given them the advantage at the other end of the scale.

Mr. Howe: I might just point out that two per cent of their production could swamp us. Therefore, they can sell most of theirs at a good rate.

Mr. Nixon: Their business practices are substantially different from ours.

Mr. Howe: Coming in here, their wholesale price shows as much as five cents difference in a month.

Mr. Nixon: I don't want to delay this, but I'm concerned about that relationship. The only other thing I wanted to ask you—and it might have been asked of the previous witness—is whether there is any indication that the very successful efforts of the meat packing unions to organize the chicken eviscerating plants is going to make any substantial difference in your market?

Mr. Howe: Well, that's another cost we have to consider. Three years ago, say, the processing cost was down around 17½ cents, as we understand it; now it is up to at least 20 cents; and that all contributes.

Mr. Nixon: And really, the organizational efforts are just starting to get under way. Many of them haven't got contracts yet.

Mr. Chairman: Thank you, Mr. Nixon. Mr. Taylor, please.

Mr. J. A. Taylor: Most of the questions have been cleared up, Mr. Chairman.

What strikes me, Mr. Howe, is when you look at the chart, you see that the cost of production is about 36½ cents a pound, to the farmer, and included in that cost of production, presumably, is some profit on the part of the farmer—is it or is it not?

Mr. Howe: There is now, but there wasn't.

Mr. J. A. Taylor: Well, this is what I was getting at—what Mr. Nixon has questioned you on. But, presumably, included in the cost of production is some profit or return on capital investment.

Mr. Howe: That's all. Nine per cent on 50 per cent of your capital investment.

Mr. J. A. Taylor: And yet it costs the consumer in the store \$1.05 a pound. Nobody's making any money, but we're paying \$1.05 a pound for chicken. When you look at that, you wonder just where the money goes. Well, right off the bat you see a third is going, presumably, to the feathers and the innards. Let's talk about the processor. You say it costs him about 20 cents a pound. Now is that a fairly accurate figure, 20 cents a

pound? I comment on that because, again, if you look back—and your chart goes over a period of about 15 months—you see that he's hardly picking up his 20 cents a pound.

Mr. Howe: Well, most of us have been aware this past year how much a lot of the processors lost. And UCO was one that was able to publish their figures and they lost a lot of money last year. The chart shows that.

Mr. J. A. Taylor: It shows the farmer last year losing money.

Mr. Howe: Yes.

Mr. J. A. Taylor: It shows the processor losing money and then we understand that the retailer is selling at a loss as well; and it was still costing the consumer, a year ago, say 92 cents a pound, and everyone's losing money. This gets a little hard to accept. I'm not doubting that, but what I will ask you is how do you arrive at your figures? Start at the top. Let's talk about the retailer. What retailers are included in there? How do you arrive at the retail price?

Mr. Howe: As quoted by CDA.

Mr. J. A. Taylor: Well, you pick up that statistic from someone else, so you don't know what ingredients go into that? Whether it's just the chain stores, whether it's right across Canada.

Mr. Howe: It's the Canada Department of Agriculture.

Mr. J. A. Taylor: So it would be right across Canada.

Mr. Howe: But it states what prices are being paid in the provinces.

Mr. J. A. Taylor: And this is Ontario's?

Mr. Howe: Yes.

Mr. J. A. Taylor: And you don't know what type of store, whether it would be the little corner store or whether it would be the chain stores or what volume?

Mr. Howe: I wouldn't know for sure on that.

Mr. J. A. Taylor: You don't know how many stores would go into that composite to make up that index? Well then what about the wholesaler? You're talking really about the processor, aren't you? Again, how do you get that figure of the processors, of the sale price?

Mr. Howe: This is also published by CDA.

Mr. J. A. Taylor: And so you accept that. You don't have personal knowledge of what goes into that price. Are they all the processors in Ontario?

Mr. Howe: We don't know for sure. CDA is publishing it.

Mr. J. A. Taylor: I notice the meat cost. The meat cost and the live producer prices are consistent; you said it's about a third.

Mr. Howe: That's right. You add about a third.

Mr. J. A. Taylor: So that's automatic again. I don't have any further questions.

Mr. Chairman: Thank you, Mr. Taylor. Mr. McGuigan.

Mr. McGuigan: Mr. Howe, importing from the United States was mentioned. Is this importing due to the fact that when national marketing comes in, the United States will have a historical quota or share of our market and, therefore, it is in the chain stores' interests to try and build that share up as high as possible so that when and if national marketing comes in they would have a higher quota? Is this a fact?

Mr. Howe: This would be an assumption on our part.

Mr. McGuigan: Therefore, they might have reasons other than just straight economic reasons for wanting to bring chickens in at this particular time?

Mr. Howe: That's a good possibility.

Mr. McGuigan: That's all I wanted to know.

Mr. Chairman: Thank you, Mr. McGuigan. Are there any further questions of the witnesses from the members of the committee? Very well, Mr. Howe and Mr. Daniel, thank you very much for appearing before the committee.

Our next witnesses are from the Greenhouse Vegetable Producers' Marketing Board. We have about 17 minutes. Would the members of the committee wish to proceed? All right, very well.

Mr. Riddell: Mr. Chairman, I think we have two very important and interesting groups to hear from and if we don't get it all accomplished today—and it is highly unlikely that we will—I see no reason why we couldn't invite them to come back. I realize and appreciate that the representative for the apple commission has been here for practically every meeting and one doesn't like to keep him on the hook, but the Retail Council of Canada have presented to us a brief which we've all had a chance to read. I don't know whether or not they have made a specific request that they come in and read the brief or make any special representation; so if we can assume that we wouldn't spend a great deal of time with the Retail Council of Canada, I would suggest that if we can't get to the apple commission today, we have a

chance tomorrow night to hear from them, rather than cut our time short today.

Mr. Swart: On a point of order, Mr. Chairman, I would make the suggestion—and my assessment may be wrong—that because we have heard quite a bit about apple marketing from the IGA and from questions here before I would think that perhaps we can handle that today. The Greenhouse Vegetable Producers' Marketing Board, who haven't had any discussion, may take much longer. I'm just suggesting that perhaps we should hear the Apple Marketing Commission right now because I think we can get through that rather expeditiously. I may be wrong, but that would be my opinion.

Mr. Chairman: What is the wish of the committee?

Hon. W. Newman: Mr. Chairman, in fairness to the greenhouse people, I don't know how far they've come, but I think great distances and I think we should give them something firm.

Mr. Swart: I agree with you. I don't think we can handle them in 20 minutes, that's my concern.

Mr. Riddell: I don't think we have to stop at a quarter to one.

Mr. J. A. Taylor: Who is scheduled to be the next witness?

Mr. Chairman: The Greenhouse Vegetable Producers' Marketing Board.

Mr. J. A. Taylor: Well, why don't we hear from them, and get on with it?

Mr. Nixon: May I ask if it was indicated last night that the chairman of the apple commission had been here and we wanted to hear him but his lawyer wasn't in attendance? I gathered from the tone of the exchange, that he figured he had been kept waiting. When was he first scheduled?

Mr. Swart: Two weeks ago.

Mr. Chairman: I must remind you that also applies to the poultry and the chicken and the greenhouse vegetable growers and the others too. They've all been waiting.

Mr. Swart: It just seems to me that we may not get through the greenhouse vegetable growers.

Mr. Chairman: I appreciate that, Mr. Swart.

Mr. Swart: If we can get to the Apple Marketing Commission, I think perhaps we can get through it.

[12:30]

Mr. Chairman: That's beyond my fondest dream—to try to get the vegetable growers through by today. What we plan on doing

s hearing as much as we can this morning, and then continuing on with them tomorrow night.

Mr. Riddell: If there are no serious objections on the part of the greenhouse growers then why don't we hear from the apple commission now and then perhaps tomorrow the greenhouse vegetable growers could come back?

Mr. Chairman: What is the wish of the committee? Those in favour of the apple growers? Those against?

Interjection.

Mr. J. A. Taylor: That wasn't the question though was it, Bob? There are a lot of apple producers in my area.

Mr. MacDonald: Before Mr. Long comes up, Mr. Chairman, tomorrow night is our last session to hear outside witnesses, and tomorrow night we will have to take our time and divide it evenly. You, as chairman, will have to say to the committee we have 60 minutes; the witness takes five, that leaves 55 minutes, each party has 15 minutes. And at the end of the 15 minutes, you cut it off or that party.

Mr. Chairman: I will have to advise the vice-chairman of that, Mr. MacDonald. I won't be here tomorrow night.

Gerry Long, sworn.

Mr. Chairman: Do you have an opening statement, Mr. Long?

Mr. Long: A very short statement, Mr. Chairman. It certainly is a privilege after all the conversation we have heard here for a few hours, over the last couple of weeks I guess it is now. We have a very short statement.

The Ontario Apple Marketing Commission is a marketing organization which represents the total apple industry in Ontario. Its board of directors is made up as follows. I think at this moment I should interject that this is the only organization in farm marketing that is structured this way. It is not a marketing board. It is made up of 12 producers, five dealers or packers—packers being the people who package their fresh apples for the retail trade—four processors—processors being people who take the apple and change its identity by putting it into a can or freezing it or making juice out of it—one retailer and one consumer.

The retailer and consumer directors are appointed by the Ontario Minister of Agriculture and Food, and the consumer director must be a member of the Consumers' Association of Canada.

The main duties of the commission are the promotion of Ontario apples and the determination of prices. The pricing responsibility is handled by a pricing committee which meets regularly as required during the year. During the 1977 crop year it met 23 times and issued 17 pricing orders. A copy of the last price determination order, number 17, as issued, is attached.

The prices shown are wholesale prices, and the system is based on a two-price level with a differential for apples delivered to a central warehouse as opposed to direct store delivery. The province is divided into three zones for pricing consideration; central and western dominated by the Toronto market, eastern influenced by Montreal and the northern which recognizes the increased costs of distributing through the north country. A credit of 10 cents is permitted for master containers returned which are reusable.

I think, Mr. Chairman, we should just move on with the questions. I am sure the committee has some.

Hon. W. Newman: Just two or three questions, Mr. Long: I believe, by and large, the apple commission is different from most boards because you deal directly at the retail level.

Mr. Long: Yes.

Hon. W. Newman: I don't know of any other specific boards that do just that.

Mr. Long: For the fresh apples, Mr. Minister, we set the price for juice apples direct to the processor.

Hon. W. Newman: Could you explain perhaps in a little more detail the pricing system that you have in the apple commission?

Mr. Long: For fresh apples, the pricing committee meets regularly to establish the price for the packaged fruit delivered either to the wholesale warehouse, as the pricing order defines here, or to the back door of the store. There is an allowance allowed for wholesale and corporate distribution warehouse delivery. A further allowance is made for delivery to the back door of the store.

That's in the area of fresh apples. The price established for apples for juice is established at the orchard at the source of production. The processor is then responsible to take it to the plant. Those are the two kinds of apples. I don't know if I have explained myself or not.

Mr. J. A. Taylor: Could you clarify that? How do you arrive at those prices?

Mr. Long: The pricing committee is made up of all the segments of the industry meeting on a regular basis to arrive at those prices.

We operate on a completely open market. We have no protection on the border. We operate here in Ontario on the basis that we are as good as the rest of North America. We have no protection, other than the current exchange on the money, which certainly isn't protection.

Mr. J. A. Taylor: The influence is the market price, not the cost of production.

Mr. Long: It has nothing to do with the cost of production. We just have to survive in the marketplace.

Hon. W. Newman: I have a couple of more questions in order to get this discounting sorted out properly in my own mind. In the IGA franchise stores there's a five per cent discount because of guaranteed payment and so on from head office. This is for collection of payment and making sure you're guaranteed your pay. Is this one procedure that you use?

Mr. Long: Yes.

Hon. W. Newman: In the other procedure you are working on when you are dealing with the corporate stores, they also wanted to get the discount. I understand you refused that.

Mr. Long: It never has been discussed. Corporates have never asked for any discounts. Never in the history of the commission has there ever been a suggestion from any corporate-owned entity or store that they have any discounts. This discount is not a discount. This is a service charge which has been going on with their franchise stores since they were created; I believe Mr. Wolfe said in 1960. When the apple commission came into existence in the early '70s we were confronted with the situation of the suppliers wanting to make sure that they were dealing with these independents.

I think the testimony in the last few hearings has proved it has been rugged on the independents. The suppliers came to the commission and said they would like to carry on and have the protection of the franchiser, meaning the Oshawa Group or the Loeb group. They wanted to pay them the five per cent so that they were guaranteed their money. I believe the testimony of Mr. Wolfe and Mr. Warnock last night proved that many times in the years and years this has gone on they have supported the suppliers and paid them off. That's a current situation that goes on. There has never been a discussion as far as this goes. That discussion did not come from the franchisers, it came from the suppliers who wanted to continue with the protection they had long before the apple commission ever came into existence. I believe Mr. Wolfe mentioned it was

1960 when the Oshawa Group took over the IGA franchise.

Hon. W. Newman: Mr. Long, how long have you been chairman of the apple commission?

Mr. Long: Since day one.

Hon. W. Newman: Are you satisfied that all the producers in the province of Ontario that produce under the apple commission are aware of exactly what you are doing and were totally aware of any practices that we were going on or the relationship you had with any of the stores, by and large, because I assume you meet as an apple commission?

Mr. Long: You used the words "all producers." I'm not too sure. The apple industry is integrated. We were in the apple business and integration took place in the apple business before anybody created the word. The majority, about 98 per cent of the people who handle the total system, the packaging and that, are producers. Integration has been a way of life because the apples are free when they grow on the tree and they move directly through a co-operative or through the family packing operation, of which we have hundreds in the province. We operate in a very dynamic situation day to day.

Hon. W. Newman: Are you satisfied that your producers, by and large, were aware of the—

Mr. Long: As far as I'm concerned, yes.

Hon. W. Newman: That's all, Mr. Chairman.

Mr. S. Smith: I'd like to ask a few questions. If I understood you correctly, Mr. Long, you just said that there was no discussion with the franchises regarding the matter of this five per cent with respect to the corporate stores, that "that has never been discussed." I think those were your exact words.

Mr. Long: Mr. Smith, I think it depends on how you take the word "discussion." I think Mr. Wolfe suggested last night that we had informed him by letter—of which we have a copy with us, and we thought that Mr. Warnock had used that as part of his exhibits last night; we have enough copies here if you want that as an exhibit—a letter written to the Oshawa Group in 1972. It was in the area that very early in the hearings, Mr. Minister, I believe you tabled a letter that had my name attached to it in 1972, about the Dominion Store two per cent discount. At that time, the Oshawa Group, in conversation with our management, wondered where their five per cent service charge lay, at the same time as that 19

controversy over the two per cent early payment discount, and we tidied that up with the Oshawa Group with this letter.

Mr. S. Smith: May I read to you from the sworn testimony of Mr. Wolfe? "The practice of five per cent, in due course, as corporate stores were added and supplied from the same source, that this practice continued until the formation of the apple marketing commission. At that time, following discussion with the commission, we were asked and agreed to cancel the five per cent with respect to corporate stores, but the commission recognized that the discount for collection and payment from the franchise outlets is a service charge."

Mr. Long: Yes.

Mr. S. Smith: Now you are basically saying that you feel it's quite reasonable that the grower should accept a five per cent discount from the marketing board price in order to have this guarantee that Loeb or Oshawa will stand behind their franchised dealer. You are stating, furthermore, that this is something you actually did and you were requested to do by the growers.

Mr. Long: Growers? Or packers?

Mr. S. Smith: By packers or growers.

Mr. Long: That practice, as Mr. Wolfe said last evening I believe, had been going on. When we came into existence it was still going on.

Mr. S. Smith: You said you were requested. I definitely heard you say you were requested to do that by the people.

Mr. Long: In conversation. Yes.

Mr. S. Smith: In conversation. You have nothing in writing requesting you to do this?

Mr. Long: No. It's been going on since day one.

Mr. S. Smith: Can you show me the regulation which permits you to accept—

Mr. Long: No. We have no regulations.

Mr. S. Smith: —less than the marketing board price based on an alleged service of guaranteeing payment?

Mr. Long: We have no regulation.

Mr. S. Smith: Is there a regulation that allows you to accept the 50 cents per basket, per case or whatever it is, for warehousing?

Mr. Long: I believe so.

Mr. S. Smith: There is a regulation for that one? And that's the one that you include in your copy of Ontario Apple Marketing Commission price determination order. But you have no regulation to back up your

practice of allowing a five per cent discount for the alleged guarantee of payment?

What about the stores which are IGA stores under Loeb, but owned by Loeb, as opposed to the obvious difference in Oshawa where it's Food City versus IGA? In the case of Loeb, some IGAs are independently owned and some are owned by Loeb. Do you draw any distinction there as far as the guaranteeing of cheques goes?

Mr. Long: I would suggest that the Loeb-owned stores would come under the umbrella of corporate-owned stores.

Mr. S. Smith: I would have thought so too. You realize that the apples that Mr. McGuigan shipped were to a Loeb-owned store?

Mr. Long: I haven't heard that testimony that they were. When did Loeb take ownership of that store?

Mr. S. Smith: I don't know.

Mr. Long: I have been told that that is a—

Mr. S. Smith: It's been some time anyway. They certainly owned the store while these apples were being shipped, and for the period of the invoices we're referring to now. Have you told your growers that, in fact, they are to accept a five per cent discount taken off their cheques for this guaranteed payment business if they sell to a franchised store?

Mr. Long: This hasn't been discussed for years and years. The letter was written in 1972 to clear it up at that time, and we started pricing apples in 1969, I believe.

[12:45]

Mr. S. Smith: Isn't this a bit unfair to the corporate stores and to Dominion, et cetera? After all, they are pretty good for the money. There has never been an instance where Dominion hasn't paid. If all they are doing for the five per cent at Loeb is guaranteeing payment, surely a good solid company like Dominion, that has never reneged on a single cent, I am sure, to anybody, should also get the five per cent? Isn't it a bit unfair just to give it to Loeb and not to Dominion?

Mr. Long: I don't know if you should talk about being unfair. You use the expression unfair and that is your liberty. The situation is that these stores that are independent stores under the umbrella, at some times in the past history of retailing have had a very difficult time.

Mr. S. Smith: I understand, so you might want to charge them more perhaps if they are risky, but why give them a five per cent discount under the marketing board price?

Mr. Long: It is not a discount. It is a service charge that is under contract with the IGA franchiser.

Mr. S. Smith: I understand.

Mr. Long: Which is a standard business contract, I understand—

Mr. S. Smith: Sure.

Mr. Long: —between the Oshawa Group and the Loeb group, and they guarantee payment to the supplier that if these people get into trouble they will get their money for sure.

Mr. S. Smith: But in simple words, they are buying them for less than the marketing board price because of this service charge.

Mr. Long: Who are "they"? The price delivered to the stores, to my knowledge, is exactly the same price delivered to every store.

Mr. S. Smith: Selling to the IGA warehouse they are able to get it—taking into account the service charge—for less than the marketing board price. Selling to the Dominion warehouse they have to pay the marketing board price.

Mr. Long: To my knowledge we are only dealing with drop shipments at the retail level. We are not dealing with warehouse shipments to my knowledge.

Mr. S. Smith: Then let's talk about drop shipments then.

Mr. Long: That is what we are talking about.

Mr. S. Smith: Fine. Drop shipments to Dominion Stores made in local areas are being paid for at the marketing board price.

Mr. Long: That's right.

Mr. S. Smith: Drop shipments to other stores; eventually the money the Loeb empire is paying is actually below the marketing board price because they are offering a guarantee of what the franchisee is going to be able to pay. You allege that this five per cent is a reasonable price to pay for that guarantee, although you can't tell me whether your growers agree. Let's leave that for the moment.

Mr. Long: Mr. Smith, just a moment—

Mr. S. Smith: Why should Loeb get it five per cent cheaper than Dominion? Please explain it.

Mr. Long: To my knowledge no one, including Mr. McGuigan, has come to the apple commission for years and even discussed this problem. So as far as the apple commission is concerned the suppliers to those stores must be quite satisfied to have that protection, and are quite happy. I would

suggest to you—and maybe you don't understand the marketplace—there will be 16 other producer-growers standing in line to take that business at any time.

Mr. S. Smith: I have no doubt that you are right. So what? I am still asking you a question. The question is, very simply, if you have been able to allow this five per cent discount to Loeb, why don't you allow it to Dominion? If it is allegedly for guaranteeing that their cheque is good, surely Dominion's cheque is good. What do you think of the fact that we had testimony here that a good many of these shipments that were made directly to the store back door, to these local franchisees, were for cash, and the discount was not paid when it was for cash, and that it was only when the cheque went through the central route of Loeb's accounting that the discount was taken off? Are you trying to tell me that a Loeb-guaranteed cheque is better than cash?

Mr. J. A. Taylor: OHIP discounts 10 per cent for doctors' services.

Mr. S. Smith: Oh, don't talk nonsense.

Mr. J. A. Taylor: This is only two per cent.

Mr. S. Smith: You know as much about this as you did about energy.

Mr. J. A. Taylor: What does that mean?

Mr. S. Smith: I'll leave it to you.

Mr. Chairman: Order. Let's stick to the cross-examination of the witness.

Mr. S. Smith: For cash they don't take the discount, and yet you are making them take a discount when it is for a cheque.

Mr. J. A. Taylor: He is not on trial here. He is not a criminal.

Mr. S. Smith: Oh, that has not been indicated.

Mr. Chairman: One speaker at a time.

Mr. S. Smith: We don't know that.

Mr. Long: Maybe logic doesn't enter into this, but in the marketplace logic does. The way I see it as chairman of the apple commission, and the way I believe the majority of my directors feel, is that when you are dealing with a small retailer who is struggling in the marketplace at the present time, and you drop off small drop shipments, very small drop shipments in many cases, and you maybe go there twice a week and drop off four or five cases of apples, that billing can all be pooled in one place. Maybe one small packer has four or five small stores in rural Ontario and he looks after them, and maybe in one or two of those cases the man who owns that IGA store is a personal friend of his. He accepts that particular role that has been

ping on for a long time, and takes that guarantee. We as an apple commission have to look at the logic. If, under the discussion that we are having here today, this isn't logical we will have to just say: "It can't go on. We'll go to warehouse" and many of these small suppliers will no longer be in business.

Mr. S. Smith: Are you saying that some of the shipments that have been going to the back door have actually been paid for in cash or less than the marketing board price?

Mr. Long: No.

Mr. S. Smith: No, okay. So as the person gets the marketing board price in cash and somehow you are doing him a favour, you sink, by having him get a cheque instead of the cash. I don't understand that but perhaps someone else can explain that, because I'm going to run out of time in a moment.

Let me find out something more. The minister was as surprised as anybody else here to find out that there was something that does not have a regulation, that is not commanded by the law, that there was an alleged discount which the commission has taken on, allegedly told its members about, yet when McGuigan brought the matter up he was not aware that the commission had done this.

When he brought the matter up Mr. Eaton suggested that somehow I had been withholding dangerous and important information from the Attorney General, that's how surprised he was about it, the minister says this was a terrible thing, and so on. It was obvious that nobody knew about it. Did you know about it, Mr. Minister, or not?

Hon. W. Newman: On a point of order, if you want to ask the minister what he said that's fair enough. Don't put words in my mouth. You speak for yourself, but don't put words in my mouth.

Mr. S. Smith: Fine. All right, I'll speak for myself to declare that the minister did not know anything about it and professed not to know anything about it. That the minister's assistant professed not to know anything about it. Why not? When you saw this whole hubbub about discounting, the two per cent, the checks in the House that we were questioning if you knew anything about it, when did you ever hear of it, when did you find out from the marketing board, when did you first hear about any kind of discounting, the minister good day after day and said: "I don't know anything about this."

Mr. Long: To my knowledge the minister knew nothing about it.

Mr. S. Smith: Why didn't you tell him, is my question to you?

Mr. Eaton: You never raised a question about this in the House. You never once mentioned it.

Mr. Long: It's your words that this is a discount.

Mr. S. Smith: Yes.

Mr. Long: This is a service charge so that we protect the suppliers. You can cut it any way you want to but that's the way it is.

Mr. Smith: It's not a discount?

Mr. Long: It's not a discount.

Mr. S. Smith: It's referred to as a negotiated price less five per cent allowance. The discount for collection and payment from the franchise outlets is a service charge, is the quotation from your letter—

Mr. Long: Right.

Mr. S. Smith: —and because the discount has been called by you a service charge, then in the midst of this entire hubbub that we had here, where nobody seemed to understand what was going on with both McGuigan's apples and in the House and all the questions being asked, you felt no necessity to tell the minister what was happening because you call it a service charge.

Mr. Daniel: Mr. Smith, the situation is this, as I understand it. May 26 I was informed of the existence of this letter, which they had to search for as a result of evidence that was given here before this committee. They obtained the letter and told me about it in a telephone conversation. I asked to see it and when I saw it on the Monday I advised the apple commission to give a copy of the letter to the Farm Products Marketing Board, which was a directive of this particular committee at the hearings, and that is how it came to the Farm Products Marketing Board. To our knowledge—

Mr. S. Smith: Is that the 1972 letter or the 1978 letter?

Mr. Long: The 1972 letter.

Mr. S. Smith: The 1978 letter of, course, says: "We are attaching a set of invoices from your London branch indicating that the discount of seven per cent has been taken for delivery," and that comes from your own pricing manager. So everybody else calls it a discount, but because you don't call it a discount you felt you didn't have to tell the minister about it. I don't understand why you didn't tell the minister when all these matters were being raised in the House. That's the end of my questioning.

Mr. Eaton: You never once mentioned that until you got into the committee.

Mr. S. Smith: The whole discounting practice was raised in the House and you know it, and when you heard about the apples you didn't know anything about it either.

Mr. Chairman: Order.

Mr. S. Smith: He didn't know anything about it either.

Mr. Eaton: That's right.

Mr. S. Smith: He thought it was a dangerous practice.

Mr. Chairman: Order.

Mr. S. Smith: Well, the minister's assistants didn't know of the practice Mr. Chairman.

Mr. Chairman: The honourable member has run out of time.

Mr. S. Smith: I'd rather run out of time than ideas.

Mr. Chairman: Well, you ran out of both.

Hon. W. Newman: Mr. Chairman, in order to correct the record, Mr. Smith quite obviously doesn't realize that I have a different parliamentary assistant than I had before.

Mr. S. Smith: Well, you're lucky.

Hon. W. Newman: Well, fair enough. If you don't understand the political process, you could ask and we'd tell you.

Mr. Chairman: Mr. MacDonald, please.

Mr. MacDonald: I just want to tidy up in my own mind, if nowhere else, the point that Mr. Smith has been dealing with. I assume that there is a regulated price that the producer is entitled to get. And in this instance, there is an arrangement with IGA that permits the producer to get less than that—whether you call it a discount or a service charge. Was there not an obligation on your part to let the Farm Marketing Board know that there was one exception authorized with IGA?

Mr. Long: We did.

Mr. MacDonald: You did?

Mr. Long: Ten days ago.

Mr. MacDonald: No, but when it started?

Mr. Long: Well, you know, unfortunately—

Mr. MacDonald: You did it under the pressure of this discussion.

Mr. Long: No, not under pressure at all. Because we thought it was a normal business practice which goes on—I believe Mr. Wolfe's testimony last night said that it had been going on long before the apple commission was ever created—we accepted that.

Mr. MacDonald: But the purpose of the marketing boards and the purpose of the commission is to protect the producer from being

victimized by the trade into getting less than he is entitled to.

Mr. Long: Mr. MacDonald, I can't say it to you any clearer: No one has been victimized by a five per cent service charge; no one has been threatened; no one has lost their business. It was a normal business conversation—and I was part of it years and years and years ago at the request of the suppliers and not at the request of the franchisers—that they continue with this practice so that they would have the protection of the contract.

Mr. MacDonald: This letter to Loeb permitting them the service charge—when was it first given?

Mr. Long: There is no letter to Loeb.

Mr. MacDonald: Oshawa then. When?

Mr. Long: The letter clears up the position on the difference between their franchise stores and their corporate stores, which I believe was Food City at that time.

Mr. MacDonald: In 1973?

Mr. Long: In 1972. We made sure that we still understood the differences; that's what the letter does. That conversation, I would assume, took place when we carried on our first pricing orders, in January 1969.

Mr. MacDonald: But, Mr. Chairman, may I say to Mr. Long that the purpose of marketing boards and commissions was to protect the producer against "normal business practices" and, therefore, regulated prices were fixed so the producer could be assured that he could have that? And my question is, why did you grant an exception to Oshawa Group? If you object to the word that it was victimizing the producers, let's not argue the point. But the producer was getting less than he was entitled to under the regulated price because of the agreement that you entered into with the Oshawa Group.

Mr. Long: As I said to Mr. Smith, maybe logic doesn't enter into it. At that point if the apple commission had said to those few small suppliers of those small IGA stores, "You abide by the regulation," the system would have easily corrected itself and we wouldn't have had this conversation today. The Oshawa Group and Loeb would have had no other alternative but to go to the warehouse. Those small suppliers that were looking after the mama and papa stores, the IGA stores, would, basically—and I'm talking just ordinary horse sense, okay?

Mr. MacDonald: Well, horse sense in the merchandizing field gets translated into normal business practices, and normal business practices are what the producer was the vic-

tim of for years. Therefore, he had to build his marketing boards and he had to build his commissions.

Mr. Long: Apparently, Mr. MacDonald, you didn't hear me say that no one has ever come forth. Even Mr. McGuigan neglected to come forth until he seized the opportunity within this room. He never bothered to come and tell us that he was being victimized. He continued to deliver apples.

[1:00]

Mr. MacDonald: Just a minute, he continued to deliver apples because the IGA stores said, "Fine, you put the add-on into your invoice and we'll take it off," so that it was in violation of the spirit of the thing, though it was a technique to keep within the letter of the law. But the thing I cannot understand is why you permitted it in one instance, because it is "a normal business practice," or had been "a normal business practice," yet failed to protect the producer to get what he was entitled to.

Mr. Long: I'm sure, Mr. MacDonald, you're right. But I would suggest to you that the apple commission of this province has done one hell of a good job for the total apple industry. And if you want to play games, which you are, then you are right.

Mr. MacDonald: You are playing games.

Mr. Long: No, I'm not playing games. I'm just being perfectly honest. I'm just being perfectly honest in telling you flat out that that was the arrangement we entered into with that handful of stores and that handful of suppliers. We levelled with you, and I'm telling you the way it is. Maybe we were wrong. If we were wrong, you condemn me?

Mr. Chairman: Sorry to interrupt, but we've run out of time. We've gone way past the normal scheduled time, and we have another committee coming in here, waiting outside. Is it the wish of the committee that we bring Mr. Long back?

Hon. W. Newman: Mr. Chairman. How long is it going to take us to finish? I don't want to hold the other committee up, but I don't want to hold the whole process up around here.

Mr. MacDonald: As far as I'm concerned, I've got all I want from Mr. Long.

Mr. Riddell: On a point of order: I think if anybody has probably been victimized, it's been Mr. McGuigan, because he didn't make a report to the apple commission. Wouldn't it be an exercise in futility to take something to the apple commission when obviously they're advocating something which there's no regulation for?

Mr. Chairman: We've run out of time, as I mentioned. Let's have the committee decide whether we shall have Mr. Long here tomorrow night, or are we through with the witness?

Mr. Swart: On that question, Mr. Chairman, we have three very important groups left to hear and one evening in which to do it. I'll move, Mr. Chairman, that we hear those three groups—I don't think I need to name them—at our sitting on Thursday evening and that we allot one hour each to each group.

Mr. Chairman: We could hardly allot one hour each, Mr. Swart.

Mr. Swart: Okay. Well, I'm suggesting that we go until 11 o'clock. We have power to decide that.

Mr. J. A. Taylor: We are deciding whether to bring back this witness.

Mr. Swart: This would include that.

Mr. Chairman: The members in favour of bringing back the witness tomorrow night, please signify.

Thank you very much, Mr. Long and Mr. Daniel, for appearing before the committee.

We adjourn until tomorrow night at 8 o'clock. Thank you, gentlemen.

The committee adjourned at 1:05 p.m.

SPEAKERS IN THIS ISSUE

Eaton, R. G. (Middlesex PC)
Havrot, E.; Chairman (Timiskaming PC)
MacDonald, D. C. (York South NDP)
McGuigan, J. (Kent-Elgin L)
Miller, G. I. (Haldimand-Norfolk L)
Newman, Hon. W.; Minister of Agriculture and Food (Durham-York PC)
Nixon, R. F. (Brant-Oxford-Norfolk L)
Riddell, J. K. (Huron-Middlesex L)
Smith, S.; Leader of the Opposition (Hamilton West L)
Swart, M. (Welland-Thorold NDP)
Taylor, J. A. (Prince Edward-Lennox PC)
Yakabuski, P. J. (Renfrew South PC)

Witnesses:

Appleton, J. M., Secretary-Treasurer, Ontario Poultry Processors' Association
Daniel, H. J., Counsel, Chicken Producers' Marketing Board
Gowanlock, C. W., President, Ontario Poultry Processors' Association
Howe, S., Vice Chairman, Chicken Producers' Marketing Board
Long, G., Chairman, Ontario Apple Marketing Commission

Assisting the Committee:

Poole, W. R., Counsel for the Committee



No. R-28

Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Ministry of Agriculture and Food Annual Report, 1976-77



Second Session, 31st Parliament

Thursday, June 8, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, JUNE 8, 1978

The committee met at 8:03 p.m.

MINISTRY OF AGRICULTURE AND FOOD ANNUAL REPORT, 1976-77

(continued)

Mr. Vice-Chairman: We'll now commence the meeting. Mr. Eaton.

Mr. Eaton: Mr. Chairman, I'd like to raise a point of personal privilege in regard to a statement made yesterday by the Leader of the Opposition (Mr. S. Smith) when he was referring to the charge being made for services with the apple commission. He referred to myself and stated: "Mr. Eaton said it was a dangerous practice."

At no time did I say that. In fact, he made reference to the fact that I may have said it in the House. I'd like to read into the record the question that I raised in the House in regard to Mr. Smith raising the question of discounts:

"Mr. Speaker, a question of the Attorney General: During the past few weeks he has been asked to express comment and give legal opinion on whether charges might be paid for discounting practices in the food industry. During that period, the Leader of the Opposition had information which might have assisted the Attorney General in making that decision. Would he look into the legalities of the suppression of evidence by the Leader of the Opposition which might have assisted him in making that decision?"

There were some interjections such as "political grandstanding" by Mr. Smith, and so on. But at no time did I say it was a dangerous practice.

Mr. Nixon: Why not read a few of the other speeches in?

Mr. Eaton: If your leader is going to go around saying people said things they didn't say he needs to be corrected. His ignorance of our marketing system here is only expedited by the ignorant way he treated some of the witnesses here.

Mr. Vice-Chairman: All right, gentlemen. Thank you.

Mr. Minister.

Mr. Eaton: Is that why you haven't got him here tonight?

Mr. Vice-Chairman: Gentlemen, please. I'm too small to referee, please.

Hon. W. Newman: Mr. Chairman, I'd like to make a suggestion to this committee which, I believe, will probably make a major contribution to our deliberations.

As many of you may know, a standing committee on agriculture in the province of British Columbia has just concluded a very extensive investigation into all aspects of agriculture and the food industry. The study will cost over \$2 million and has involved up to 50 staff researchers over the past year to two years—I am not exactly sure of the time frame.

This committee is an all-party committee and will be tabling its report in the Legislature on June 13, next Tuesday. That's the anticipated date at this point in time.

I would like to bring to the attention of this committee the reports the BC committee has made on rebates and allowances, and the detailed investigation they did into Inter-save, a subsidiary of Loblaw's Limited, and others. The BC reports describe the system of rebates and allowances in the food system of BC and their effect on the processor, manufacturer, wholesaler, and consumer. The committee studied volume rebates, advertising allowances, promotional funds, and other monetary exchanges as proposed by manufacturers to retailers to promote their products. Some of the other reports, in phase three of the study, involve private labels, distribution and transportation, retail advertising, profits and prices in the food industry, packaging, and a retail price survey.

As practices in BC are somewhat similar to those in Ontario, I believe the members of this committee can learn more about discounts and discounting if we invited members and staff of the BC committee to appear before us.

Mr. MacDonald: All 50 of them?

Hon. W. Newman: No, no. I would be happy to get in touch with the BC committee to find out if they could join us on Wednesday.

I have talked to the chairman of the research team, Mr. Robin Smith, on the phone and if you are agreeable and we could

come to an all-party agreement, I would extend the invitation. The only problem is I haven't talked to the House leaders yet so I don't know what their reaction is going to be. It would take an all-day sitting to hear the BC delegation; I hope four or five of them would come down. But we would be getting first-hand information on a study that cost over \$2 million and was researched in considerable detail. Keep in mind it's an all-party standing committee that deals to a great extent with matters we are discussing at this time. I think it would be time well spent and I hope you would support my suggestion.

I talked to Mr. Smith—I think it's Robert or Robin Smith; isn't this terrible, I should know—as late as yesterday. He indicated, depending on the government's reaction, he would be prepared to come here with two or three of his researchers and accountants and probably the chairman of the committee to give their advice on the work they have done.

I inquired of him how long it would take to explain basically to our committee the findings on discounting and other practices I have mentioned here. He said it would take about two hours to explain it and then he would be quite willing to answer questions.

What has been done in BC is somewhat similar to Ontario. The situation in Ontario might be a little more competitive than it is in BC, but I certainly feel if we can work out the time it would be time well spent by this committee. A lot of our questions could be answered by this group.

If they don't table the report in the House next Tuesday, then we have a problem. But the anticipated date for tabling it is June 13 and there's a three-hour time difference. I was hoping we might try to arrange it for next Wednesday but that's going to be almost impossible. However, if the committee is willing, I would be glad to contact Mr. Robin Smith, his researchers, and the chairman of the committee, and invite them to come down here and present this extensive work to us. It's a suggestion for the committee.

I realize our estimates time will have run out and we would have to get the House leaders' consent and so on and so forth, but we can take advantage of advice they may have to offer us after spending about \$2 million studying the food industry in BC.

They have looked into Intersave. They have seen all of Loblaw's books. They have gone into it in detail. They are very knowledgeable about it. I don't know what the report is going to say. I have no idea what the report's going to say—Mr. Smith wouldn't tell me nor would I expect him to—but the fact

that they have done a lot of research into this makes it well worth our while.

Mr. Smith implied they would be prepared to come down. How we get them down here, whether we would be allowed the time for it or not, I don't know. I leave it in your hands, Mr. Chairman. Maybe we could get some comments.

Mr. Nixon: The minister indicated that the BC committee will report next Tuesday. You are suggesting they come down on what day?

Hon. W. Newman: I was hoping—

Mr. Nixon: It is possible we could make an arrangement—since it is going to require a special arrangement anyway—to convene the committee for the purpose maybe a week from next Wednesday. Is that getting a little too—

Mr. McNeil: Maybe we should go out there.

Mr. Vice-Chairman: I would appreciate it very much, members of the committee, that when you are speaking you would address the chair and the chair will then recognize you. Otherwise we will have everybody arguing with one another and nobody will know what is going on. Everyone will get equal time or ample time. I think it is the only way to run a meeting.

Mr. Nixon: I think it would be an excellent thing for this committee to have a chance to talk to the representatives of the BC committee, as the minister suggested. Right from the start, the suggestion has never been that this committee make an exhaustive study of this area, but be in a position to recommend to the Legislature a continuation of this kind of a review or a royal commission or, if there is nothing else, some other way to continue the examination. Also, it would be really ridiculous to repeat the work that has been done by a sister province. That is certain.

If they are going to report next Tuesday, I don't know whether it is reasonable to think that they could be here for Wednesday, or possibly Thursday, to brief us on some of their findings. It would also be kind of nice to read their report before we actually get a chance to discuss it with them. It would make it much more helpful. We might even consider a week from Wednesday. That would be eight days after the report is made public.

Hon. W. Newman: My own concern is the time frame we have for estimates and so on. I am quite agreeable, but I know the minister who is following me in estimates is getting anxious, not that that matters; I think this is a very important matter. We should try to

work something out here on a very firm basis tonight and come to a conclusion on it so that we can contact these people.

Maybe they can't meet our convenience exactly. For instance, if they table a report on Tuesday, I presume there will be a press conference afterwards. There is a three-hour time difference and I just happened to check out airplane flights. Unless they catch—what is it, the red-eye flight or something?

Mr. Nixon: They wouldn't be here for this meeting.

Hon. W. Newman: They would get here at 9:30 in the morning or something like that. It would be very unfair to expect them to fly all night and then just walk into this committee.

Mr. Nixon: I would suggest that if the sense of the committee as a whole is that we try to avail ourselves of whatever knowledge and advice they can give us, our steering committee try to arrange a convenient time with suitable representatives of the BC committee and staff. I certainly would favour that.

Mr. MacDonald: Mr. Chairman, the technical details of when they can come, if they can come, whether or not the House leaders will permit and can work out a scheduling whereby this committee or some other committee on an ad hoc basis might be able to meet them, I think is something, as Bob has suggested, that can be left to the steering committee.

I would heartily support this and my reasons, without going into detail, are simply these: we are getting towards the end of our deliberations in this sort of scratching the surface of the problem, and it certainly was my feeling and I didn't hide it from the outset, that we needed a fuller investigation. I judge by some of the comments of the spokesmen from the Liberal Party that they are inclined to feel that that is the case.

Whether it is a judicial inquiry headed by a judge, an inquiry headed by an economist, whether you can get the right judge and the right economist for this kind of thing, because it is a different kind of thing, or whether it should be a select committee of the Legislature, is something, if we get to that point, we should think about.

What they did in BC, if I understand it correctly, is they set up a committee and with a staff of 50 they have done better than a year's studying of the basic information and that is going to be provided to the committee on the basis of that they then will proceed to public hearings.

Hon. W. Newman: I don't know exactly how the government is going to react out there, and I can't speak for the government, but my understanding is, from Mr. Smith, that the work has been done, the report will be tabled and I think the report being tabled it will be up to the Legislature what they do. My understanding is that the report will be tabled and that will probably be the end of it, but I cannot speak for the government.

Mr. MacDonald: Whether or not that is correct, we can find that out if they come down, because it seems to me a committee of the Legislature, with adequate staff and adequate basic study so we are not out on fishing expeditions, we have a basic amount of material as to what's going on in the food industry, on the basis of that we can ask questions and query people, not on a fishing expedition but by way of the whole education and communication process that everybody says is lamentable within the industry. We've had it from witness after witness.

[8:15]

So just to sum up, I would support the proposition that they be invited down, both for the substance that we could get and what they have studied, which will have general application but not specific application to Ontario; and, secondly, for whatever guidance it may give us as to how we should best proceed if we are going to have a fuller investigation in this province.

Hon. W. Newman: Mr. Chairman, if I may just speak to that aspect, all I'm suggesting is that—as I said in my statement here I'm trying to keep an open mind in this whole matter—these fellows, after a year and a half of research and almost \$2 million worth of information, might save us a lot of money here in the province of Ontario or may not, I don't know, but let's find out.

Mr. Nixon: Mr. Chairman, just for clarification, Mr. Minister, it's your understanding that the committee has completed its deliberations and this is their report to the Legislature after the research and the hearings that would go with such a—

Hon. W. Newman: They had hearings all over the province. They met with every processor, every manufacturer, every chain store person in the whole province.

Mr. Vice-Chairman: If I may ask, Mr. Nixon, are you willing to put it in the form of a resolution in regard to referring this to the steering committee for their recommendation, or what?

Mr. Nixon: Yes, I would move that the steering committee look into the possibility of

having representatives of the select committee of the Legislature of BC dealing with the food business—

Hon. W. Newman: May I suggest that rather than having the whole select committee come down here, their House is in session, you know—

Mr. Nixon: Representatives.

Hon. W. Newman: Yes, probably the chairman and maybe one other. The chap who has been in charge of the research is Mr. Smith, I'm not sure if it's Robert or Robin, and I don't know the name of the company, but I did have the occasion to talk to him, I think it was yesterday, and he certainly sounded willing to come down with the chairman and maybe one other member of the committee, I'm not sure the government's going to allow him to do this. We haven't got any details on it because I wanted to get the committee's feelings.

Mr. Vice-Chairman: All those in favour? Motion agreed to.

Mr. Vice-Chairman: Before we start the meeting, Mr. MacDonald approached me with what I think is a good suggestion. We have three different people on the agenda. Would it be agreeable to the members of the committee to give each delegation the same amount of time? It's just a suggestion on my part—rather than to carry over; if we wish to go to 11 o'clock or whatever the committee wishes to do—in order that we can hear the three briefs. It's entirely up to the members of the committee. Would that be satisfactory to the members?

Mr. Nixon: Mr. Chairman, I certainly hope we can hear the three groups that have been called in, but it's very difficult to know whether the information that they would make available would neatly divide. I see the greenhouse vegetable people don't have a submission but just want to answer questions. I suppose the grocery products manufacturers have a brief, and really they have been very much a part of the discussion so far, particularly with the letters they directed to the president of Dominion Stores, and the president of Dominion Stores, Mr. Bolton's indication that they retracted all of their allegations. I'm not sure equal division is possible.

Mr. Vice-Chairman: Why I'm asking that, Mr. Nixon, is that perhaps one party won't take as much time, but it's very difficult if you get somebody who is very intent on making a presentation and they are cut off at the pass at a very important part of their presentation. They feel frustrated, and I

think maybe some members feel there's nothing else but the chair to go by what the guidelines say, if it's 10:30 I have to stop discussion at 10:30, so I'm asking the members of this committee to make the decision. I think personally that if we give each one ample time, the same amount of time, they can skip the hullabaloo. We can use that, we're pretty good at that, but they can skip it.

Mr. Nixon: Mr. Chairman, I think we ought to agree to that approach and then if it appears that the situation isn't working out and there's more information forthcoming from one group than another, maybe we could use your well-known flexibility perhaps to adapt to the requirements of the committee.

Mr. Vice-Chairman: Would that be satisfactory to the members of the committee, and, if it's necessary, to extend the time a half an hour if we have to?

Hon. W. Newman: I was reminded by our whip today—I see he's here and that's why I'm going to bring it up now—that when the House adjourns, we're supposed to adjourn. Would you mind asking the chief government whip if that is the rule or can we go past that time?

Mr. MacDonald: May I suggest that we don't ask that question? We have done it three or four times already and let's do it again tonight.

Mr. Gregory: Mr. Chairman, since I have been asked the question, my understanding of the rules is that this committee sits while the House is sitting. If you decide to sit beyond 10:30 it has to be a vote of the committee, I would suggest.

Mr. Vice-Chairman: Good, all right. We can arrange that. We will split the time equally. Gentlemen, the first witness, the Greenhouse Vegetable Producers' Marketing Board.

Sir, would you come up here, please, and be sworn in?

Mr. Daniel: Mr. Chairman, Mr. Epp does have a statement to make. There are some copies for the members of the committee.

Mr. Vice-Chairman: Your name, sir, please?

Mr. Daniel: My name is Daniel, my initials are H. J.

Mr. Vice-Chairman: Legal counsel. Thank you.

Henry A. Epp, sworn.

Mr. H. A. Epp: Mr. Chairman, when I was here yesterday, I did not have a prepared statement. It was new to me. I didn't

know what was required. Since I went home, I have written a short statement which I will read to you.

My name is Henry Epp, chairman of the Ontario Greenhouse Vegetable Producers' Marketing Board. This board represents approximately 350 growers of greenhouse vegetables in four districts in Ontario, the largest district being district one in the counties of Essex, Kent and Lambton.

This district produces approximately 80 per cent of the total Ontario production of greenhouse-grown tomatoes and cucumbers. Growers in each of these four districts elect directors to serve a one-year term on the board. There are a total of 11 directors elected each year with these directors in turn electing a chairman and vice-chairman.

The board in district one operates Garden Acres Sales Agency which is the invoicing and collection office for sales made by seven appointed shippers who are appointed to pack and sell greenhouse produce in that district. All sales made by the appointed shippers in district one are made in the name of and to the account of Garden Acres Sales Agency.

The growers at each packing shed are paid by cheques drawn on Garden Acres Sales based on each of the seven individual appointed shippers' weekly average price per size or grade of product, less commission, packing charges and board fees. These average prices are calculated by both the shippers and the board staff and must agree before the growers' cheques are signed.

Price for our products is determined by the board as necessary, usually on a weekly basis, but more often if required. In Leamington, the directors meet with their appointed shippers at least once a week throughout the production season and after assessing all of the pertinent information gathered by its staff and shippers concerning the supply, demand and prices of competing products and, in consultation with the other district directors, it then establishes a minimum board price.

A release from the board price may be given on produce which may be over-ripe or with some other quality problems. After the f.o.b. prices are established, a pricing order is made out and signed by the board chairman and secretary and phoned and mailed to all concerned.

Where a chain or group store indicates they are going to promote and feature our produce the following week, the board will guarantee a price with protection in the event of a price increase during the period of the promotion. The board appoints an independ-

ent auditing firm to make periodic checks on the appointed shippers and on growers who sell otherwise than to an appointed shipper. That is my statement.

Hon. W. Newman: Just a short question, if I may. I guess we are still in the peak season from mid-May or mid-June?

Mr. H. A. Epp: We are in the peak right now.

Hon. W. Newman: And you can get a backup of cucumbers or tomatoes. As you know, I have been in your greenhouse and many others when you have a backup situation. How does the board deal with that? What sort of a system do you use right now to move a product if you have a backup?

Mr. H. A. Epp: When we meet weekly we have on our blackboard the exact records of the last five years showing when the peak periods come. It varies very little, so we know just about exactly what is coming; we are not out too far. When the peak is coming, we ask our shippers, "Can't you get some chain to advertise and promote our product?" One will say: "I can get Dominion Stores," or "I can get Loblaws," or "We can get Miracle Mart or Steinbergs," or whatever it is, and at the board price. If we see it is necessary, we say, "We will protect that price for the next week," because they want it a week in advance; and if we think the price will pretty well hold, we agree that we will guarantee that price for the week of that promotion. They advertise for this agreement; they will advertise in their weekly advertisement in the paper. This week you will see, I think, Loblaws, A and P and Steinbergs are advertising seedless cucumbers. This is the basis on which we work. If it doesn't help, we have to lower our price many times. If the product comes up too high, we lower our price.

Hon. W. Newman: Does your selling system differ this year from any previous years, or has it always been about the same?

Mr. H. A. Epp: Very much the same. We had one exception last year; we had one extremely high peak where, for the first time, we went out and paid for advertising. We asked a chain if they would really go all out, and we would pay for advertising, which we did. This was a one-time venture. But last year we had an extremely high peak. Normally our peaks will run 1.2 million or 1.3 million pounds. Last year we had one week when we had 1.8 million pounds of tomatoes.

Hon. W. Newman: If rebates are required, does this affect the actual price the producer obtains for his product?

Mr. H. A. Epp: We as a greenhouse board have never entered into any rebates whatever. We set the Appleby price, our shippers get nine per cent commission for selling it. If there is any rebate that has been paid, they are doing it; we have not entered into that whatever. If there are any rebates paid, it would be the shippers whom we do not control and don't know.

Hon. W. Newman: You decide on the price by the amount of the product you have or which you see is there.

Mr. H. A. Epp: That is right.

Hon. W. Newman: Supposing you saw fresh tomatoes coming in at this time of year from Mexico—and you had a fairly heavy stock of tomatoes on hand, you would take all those factors into consideration, would you?

Mr. H. A. Epp: Yes, that's right, because we can only set the price on what the market is. We supply such a small percentage of the total market so we can only base it on that in order that our shippers do not undercut each other. This is why we are there setting a price. This is your minimum price.

When a Mexican product or a Florida product is scarce, we have a good price on it because it is scarce; their prices go up and our prices go up. But I would like to say one more thing—through the Garden Acres Sales Agency, which is the arm of the marketing board, we set the price, we bill the trade whether it is chain stores or wholesalers.

Every day the shippers make out their sales bill and at 4 o'clock our staff goes out and picks up all the sales slips; this is what has been sold. We then bill the trade at this price and if it is marked lower than the board price, we put the board price on, and unless that is substantiated by a government inspector that it was below grade, the shipper pays the board price; if he has sold below it, it comes out of his commission. We pay the grower and we deduct it from his commissions, if he violates the board price. We have screaming at times from our shippers, but this is the way it is. We do not allow any cut in the price that the board sets.

[8:30]

Mr. Nixon: Mr. Epp, you say the board does not negotiate nor condone any kind of a discount on behalf of your producers or shippers. What was the circumstance last July when you brought to the attention of the minister, or some of the officials of the Ministry of Agriculture and Food, I believe, that there was some pressure on your producers or shippers in that direction?

Mr. Daniel: It was shippers, I think.

Mr. Nixon: It was the shippers, yes.

Mr. H. A. Epp: Last year?

Mr. Nixon: What was the circumstance? It was referred to by the minister in the House that it had been brought to his attention by your organization that there was some discount—

Mr. H. A. Epp: If I may correct you: it was not by our organization. One shipper organization brought charges against us. I'd have to ask legal counsel here because this is in court and whether I can elaborate on that or not, I don't know.

Mr. Daniel: The situation there, Mr. Nixon, is that in July of last year there was some question as to whether there should be a shed pooling which now exists and has existed for a number of years, or whether there should be a district one pool of the moneys that come in from the sale of the product. The position of the board, as far as district one is concerned, is that it's shed pooling and each shed sells the product, and the moneys that come in from that particular shed are divided amongst the growers who sell through that particular shed or shipper.

Mr. Nixon: So this matter is before the courts now because some of your growers do not appreciate or do not want to be forced by the marketing procedures into a pool.

Mr. Daniel: No, they do have a pool. The situation is that they want one pool, out of which they can all share, as opposed to shipper pools, which they have had in the past and which they have now.

Mr. Nixon: What is their objection to that procedure? Does the price vary depending on the pool?

Mr. H. A. Epp: If, for instance, one shipper cannot move the product fast enough for whatever reason—there are reasons; there's an awful difference in pack at times, from one group to another. We have grower groups that have gone together into a shed and become a shipper as a group, and do an excellent job; all the owners work in it. And then there are other shippers who work direct; the shippers get growers; and we have a co-operative that has shareholders. And they're not all doing an equal job. So we have a pool for each shed, but they want an overall pool. They want to mix all these different pools together and come up with one average price. And we say no.

Mr. Nixon: So there's been no complaint about any sort of a deduction that any of the

growers feel is in any way unfair or discriminatory?

Mr. H. A. Epp: There has been nothing laid on deductions; it's strictly that they want a one district pool and we say, no, it has to be a shed pool.

Mr. Nixon: Mr. Chairman, might I ask the minister why in his answers in the House he referred to the complaints from some of the participants in this marketing venture in connection with deductions?

Hon. W. Newman: Yes, because I think when it was brought up in the House, we were talking about time frames, if I recall correctly. We are talking about April 26 or thereabouts in question period. In Hansard, I think you'll find I did indicate that last July or August there was a suit brought by the group against the Greenhouse Vegetable Producers' Marketing Board. I was aware of that in August; our Farm Products Marketing Board had been working on the situation. Certainly they had been trying to resolve it and I probably would have had a meeting myself with the board if necessary down the road to try to resolve the situation.

Mr. Nixon: Back in that minister's woodshed we've been talking about.

Hon. W. Newman: No woodshed at all; I'm in the open, with the press there if they want to come; nothing is done in the back woodshed. I might point out that I have had discussions about the same matter with your member representing that area, so I assume that your leader was implying that I knew last August about a lot of things. I said the greenhouse growers situation was different. We were aware of that last August and I made it pretty clear in the House.

Mr. Nixon: But it had nothing to do with deductions.

Hon. W. Newman: No, it's an internal difference they're having. There has been a bit launched by one group to, I believe, squeeze the funds. Is that not correct, Mr. Epp?

Mr. H. A. Epp: It's a pool. They want an overall pool and we say we have seven different pools. Each shed is pooled.

Mr. Nixon: Mr. Epp, have there been complaints, either from the board or from the grower or shipper in the last three months, to the ministry or to Mr. Williams of the food council about any practices?

Mr. H. A. Epp: If there are it would be from the same group that has been complaining since last July.

Mr. Nixon: What proportion of your growers would be represented by this disident group?

Mr. H. A. Epp: Roughly 25 per cent of the total product.

Mr. Nixon: Is the case interfering in any way with the orderly marketing under the program that the board has approved?

Mr. H. A. Epp: No.

Mr. Nixon: It does not interfere? Were you a grower or were you associated with the organization or its predecessor back in those great old days of the payola investigation of 1969?

Mr. H. A. Epp: I was a member of the organization, yes.

Mr. Nixon: Do you recall yourself being subject to what the food council came to call "payola"?

Mr. H. A. Epp: Yes.

Mr. Nixon: Did you have to pay it?

Mr. H. A. Epp: No. That was long before the marketing board. Since the marketing board has been set up, there has been nothing like that. That was one of the things that prompted the marketing board and why everybody signed into the marketing board; it was to stop that thing.

Mr. Nixon: The report of the food council at that time, was generally accepted as a very good review and the recommendations I think were quite strong. There have been complaints, however that the Legislature has taken no action or not sufficient action to fulfill some of those recommendations. But it's your experience that the problem has not been resurrected.

Mr. H. A. Epp: As I say, we as a board set the board price and the shippers receive nine per cent commission on that price. There are all kinds of costs in selling it. Whether they use any of that nine per cent, I don't know. There has been a lot coming out of this hearing; I've heard of a two per cent kickback. If it is, it's from the shippers; it's not from our marketing board.

Mr. Nixon: And you can assure us that you have no knowledge of this two per cent?

Mr. H. A. Epp: No, I don't. It's hearsay, that's all I have. And since, I have heard here or read in the paper that there's been some admission to it, but that's all I know of.

Mr. Nixon: I think going back to 1969 the A and P food chain was the one most directly coming under criticism at the time and I think the findings of the chairman of the food council were critical, at least, critical of some of A and P's employees. Was it your experience among your growers and shippers that A and P was reluctant to do business on

any basis with the greenhouse growers after the payola investigation?

Mr. H. A. Epp: It's not with the marketing board, now. What has happened with the shippers and where they're doing business, I'm not prepared to say.

Mr. Nixon: As I recall—and I've looked up some of the stuff but perhaps not sufficiently—it was the growers in Essex county, the Leamington area, who were making the main complaints that were certainly a subject of discussion at the time in the Legislature and led to this inquiry, somewhat similar, really, to what's going on now. But there have been allegations that A and P has been reluctant to do business with the greenhouse growers almost in a retaliatory way; this has been the allegation.

Mr. H. A. Epp: I would like you to rephrase that. You say, greenhouse growers; if that refers to the marketing board, the answer is no. We sell a lot into A and P, our shippers sell a lot. There's one shipper for instance, who sells 90 per cent of it to Quebec City, where other shippers don't go. We have shippers that will sell mainly to Dominion Stores, another will deliver mainly to Loblaw's, another one to Steinberg's. They don't all sell to A and P but A and P is buying a lot of product today from the marketing board or from our shippers. Not all shippers sell to A and P. That particular shipper that you're referring to does not sell to A and P, but there are also other shippers that do not sell to A and P. They're not buying because they've got other customers that they buy from.

Mr. Nixon: The only reason I'm pursuing this is that one of the earlier witnesses—I just forget who it was—impressed me very much with numerous references in his formal remarks to the fear among producers and shippers that if they in any way rock the boat or transgress the wishes of the major purchasers that they would not be able to participate in the business in the way that they would like.

Peter Lindley was the person that I heard and it was such a strong statement indicating that individual farmers were extremely unwilling to come before this committee or even before their marketing board because of the possibility of retaliation or—there is a better word than that. Anyway, there is no way of us knowing that that is anything more than an allegation, because we certainly haven't had a flock of producers in here waving their invoices indicating discounts or anything untoward. So when I ask you whether or not there was what a person might call a program by A and P to purchase their tomatoes and other greenhouse products

elsewhere, that's really what I am asking, and you have assured us that there was no change in their purchasing policy that you can recall.

Mr. H. A. Epp: There might have been a change there to that company but now I am talking for the greenhouse growers marketing board and they were selling to all chains, and different shippers have different customers.

Mr. Daniel: Mr. Nixon, perhaps what I could say to you is this, since the situation that you mentioned in 1969, a delegation of powers from the Farm Marketing Board to the greenhouse growers marketing board has taken place and the board is insulated from those types of practices. If they do go on they go on between the shippers and the retailers, that is all we can tell you.

Mr. Nixon: If you don't know about it I suppose really nobody knows about it, and when you assure us that it doesn't happen this is a very important assurance. One of your pooling sheds, as you call them, is the Sun Parlour Co-op?

Mr. Daniel: That's right.

Mr. Nixon: I think the allegation dealt with the business dealings between A and P and Sun Parlour Co-op. They were the people at the time who were most critical of A and P. There has been some indication that they have not done business with A and P in the usual manner since that time or during that period. You have assured us that as far as you know—

Mr. H. A. Epp: I say they are not doing business with A and P. There are others out of our organization as a greenhouse marketing board that are selling to A and P.

Mr. Nixon: Why wouldn't they do business with A and P?

Mr. H. A. Epp: I don't know. Why do others?

Mr. Nixon: Why do I buy at Simpsons, not Eaton's? I have no other questions.

Mr. Vice-Chairman: Just for the information of the committee, it is 45 minutes allocated to each delegation. Mr. MacDonald.

Mr. MacDonald: Mr. Epp, can I get a clearer picture of the process? Suppose you were selling \$100 worth of produce, the shipper gets nine per cent commission so he has \$9.

Mr. H. A. Epp: That's right.

Mr. MacDonald: Is that \$9 taken off the \$100 before the farmer gets his return?

Mr. H. A. Epp: Yes, if he sells \$100 worth of product he gets nine per cent off of that, less packing charges; he central packs, he gets

paid so much a basket for central packing, or so much a carton.

Mr. MacDonald: The producer, through your marketing board, is selling \$100 worth of produce. You pay a nine per cent commission to the shipper?

Mr. H. A. Epp: That's right.

Mr. MacDonald: Does that nine per cent come off the \$100 before it is paid back to the grower?

Mr. H. A. Epp: Yes. That comes off the board price.

Mr. MacDonald: Off the board price?

Mr. H. A. Epp: Off the board price. We set the gross board price and off of that gross price comes the nine per cent commission, then the packing charges and the board fees.

Mr. MacDonald: Without repeating unduly Mr. Nixon's questioning of you, you say if there are any rebates, volume discounts or whatever, it is going to take place at the shipper level and he is going to pay it out of his nine per cent?

Mr. H. A. Epp: Yes, if he sells anything unauthorized. I have with me that I can show you, if I may, releases.

Mr. Vice-Chairman: We will have some copies made for the members of the committee.

Mr. MacDonald: These are releases from the fixed board price?

[8:45]

Mr. H. A. Epp: Yes. If, for instance, the product is too ripe and it can't be sold for the board price, he gets a release for so many baskets. The manager goes down and looks at the shed if the shipper reports, "I have 200 baskets I cannot sell at the board price." So he gives him a release at 50 cents or 25 cents, because it has to move as it will not last.

Mr. MacDonald: Okay, that is another area I want to query and now that you have raised it let me pursue it, and I will come back to my first area of questioning. Are you confident that all lower-than-the-board-price transactions are reported to you?

Mr. H. A. Epp: Yes, because all sales come back. We bill the trade. Say Dominion Stores buys; whatever Dominion Stores buys we bill them, we get the money back into our office and then from there on it is paid. This was the board price, and there are so many baskets that were sold below price, there was no release given and no inspection certificate that it was below board, that it was not accepted and expected to be turned down or degraded. So that is the board price and it

is taken off that shipper's portion of the money that is coming to him. The grower gets the board price unless there is a release, and if there is a release, it goes into the pool of that particular shed.

Mr. MacDonald: And you have knowledge of all the invoices so that you—

Mr. H. A. Epp: There is no invoice that goes out that doesn't come from our office, because we bill every day. Let's use Sun Parlour as an example, since Sun Parlour was brought up. Say at 4 o'clock a man will go to Sun Parlour and pick up all his sales slips of all that he has sold. If there is any infraction, or the sales aren't right, our office calls them and says: "What's wrong? You had 400 baskets here that were below the board price. What is the idea?" Someone may say the full price has changed and they billed the full price and if they at the other end then rejected it because they were promised or committed this price, it is taken off that shipper's commission. This is where we get screaming from our shippers but this is the only way in which we can control it, so they do not infringe or make infractions.

Mr. MacDonald: Let me go back to the original area that I was querying then. The shipper is the person who, if there was going to be any volume discount rebate—any kind of a discount, we have had such a variety of names—it is going to come out of the shipper's nine per cent!

Mr. H. A. Epp: Only if we allow what I mentioned in my statement here. If a chain was approached; "Will you feature-advertise next week?" and we guarantee them that price, at that point the shippers that sell to that chain are guaranteed this is the price they will pay.

Mr. MacDonald: In other words, that would all be in the audited books that you are seeing so you would know he was paying a rebate?

Mr. H. A. Epp: That's right. No, it's not a rebate, sir, it's a reduced price or it's a guaranteed price of what the board price is. If we raise the price in the meantime and the chain has promised they will take so many baskets or cartons, they are guaranteed that price for one week. Say today the price of tomatoes is \$5.50 and we have cucumbers and we have quite a few chains or stores that are committed to take X amount of baskets for next week at \$5.50. Should we in the meantime raise the price, they will continue getting that product until that commitment is fulfilled at the \$5.50.

Mr. MacDonald: I was talking to one of your greenhouse growers back in the time

when this two per cent flurry hit the news and hit the debates in questioning in the House, and his comment was that if there was going to be a two per cent deduction for this year, if you stuck to your price, it would have to come out of the shipper's nine per cent.

Mr. H. A. Epp: That's right.

Mr. MacDonald: But that while the producer was protected this year, inevitably the shipper, to survive, if he needs nine per cent, is going to be demanding more or you are going to have to reduce your price next year, so that ultimately if there is any discount in the picture it is likely going to be pressured back on the grower at some point. Do you agree with that?

Mr. H. A. Epp: It could be, depending on what board would sit, how strong the board would be that was sitting. We were, up until three years ago, at seven per cent instead of nine per cent, but due to pressure from one shed, very strong pressure, we raised it to nine per cent. I was very, very reluctant to go to the nine per cent from seven. We went to nine because they said this and that. Now all this comes back and we have told them this year: "Now you go on paying this and we'll drop it back to seven. We will drop that commission back to seven per cent. If this is what you can do, start rebating prices, we'll reduce your commission." So, in the meantime, as this started, all this came up here so we left everything alone.

Mr. MacDonald: May I go back, with one final question, to the report of the food council in 1969? They made quite a range of recommendations, apart from referring to the Attorney General for such actions as he saw fit in charges against individuals who are involved in payola, and most of those, am I not correct, have not been implemented. Have you been putting pressure—did you agree with the recommendations of the food council?

Mr. H. A. Epp: At that point? Well, I don't remember right now what the recommendations were. It's so far back I don't know. What we are doing now is, as our regulations are spelled out, we are not participants in any payolas. We set a board price and this is what we collect and we pay the grower.

Mr. MacDonald: But those recommendations, you may recall, Mr. Epp, went far beyond payola. They went into how you might regularize and clean up the trade practices. Indeed, it was suggested by some members of the committee earlier that one reason why they weren't placing much stock

in what happened back in 1969 to clean up the situation was that the recommendations that the food council made were for the most part ignored.

Mr. H. A. Epp: I don't think so.

Mr. MacDonald: You don't think so?

Mr. H. A. Epp: No.

Mr. MacDonald: Perhaps when we get the food council before us we can find out.

Mr. Nixon: Excuse me, you don't think they were ignored?

Mr. H. A. Epp: No, I think we are operating as good and clean as anybody is. Now just because you find somebody complaining, check into the reasons why some of them are complaining. I'm not going to squeal on somebody like that. You get them up here. Why don't you bring the squealers in here? Let them do the squealing here.

Mr. Eaton: Mr. Epp, would you say that the operation of the marketing board basically carried out some of the recommendations that were made in 1969 and that the regulations you were able to bring in because of the marketing powers that were given to your board helped to clean up many of the situations?

Mr. H. A. Epp: That's right. I think this is one of the main reasons why at that time when the Farm Products Marketing Board was approached to have the vote for the growers it was voted in at 97 per cent I believe, because they wanted a clean house and this is what has happened. Then a few years later, when we felt it still wasn't being clean enough, Garden Acres was instituted and we took over the full control of all moneys, and when any sales are made we bill the trade. If there's any infractions in it, if they go later on and put it under the table and pay back, we have no control over that. But we bill the trade and I think it becomes pretty obvious if Joe Blow buys for Dominion Stores and our salesman sells and they put a price on it, we bill their office. This is what's paid back.

Mr. Eaton: So, in fact, action was taken by the government and the growers combined in setting up the board.

Mr. H. A. Epp: This was the big reason to clean all that up. We know every action that goes on because we bill them and collect the money and then pay the grower.

Mr. Eaton: You mentioned once that you got into advertising last year. Was that the board that actually got into the advertising at that time?

Mr. H. A. Epp: To explain that fully we asked Danny Mastronardi, who is Mastro-

nardi Produce, who was doing main business with the largest chain in Montreal, Steinberg's. He said: "Can't you talk to Maxie so that he will take tomatoes? We gotta have a real push. This week is coming and every grower explains that we need tomatoes." Pink tomatoes go to Quebec. We grow mainly pink tomatoes in Leamington and it's a Quebec product, not Ontario product. Then the call came back from Steinberg's and I received the call: "Henry, your shippers are asking for it. We are putting out a flyer in all the papers of Quebec which will reach"—I forget how many million people—"and every supplier is paying for these ads. Would you be interested?" I said: "What volume will you take? This is what it will hinge on." So he says: "I'll double the volume. Whatever we have taken before, we will double that volume," and it would cost us \$5,000 to place an ad.

So I came back, called a board meeting, and presented it to the board. We called a growers' meeting at the Roma Club, where all the growers were called. We said, "Fellows, this is what we're facing. We're going to place this ad. We're going to spend \$5,000 and see how it works out."

There wasn't one complaint. I flew to Montreal. I asked Maxie Steinberg, "Will you put the ad in? We'll go." The records show that in 1976 over a three-week period they took barely 30,000 baskets. The next year, with the ads, they took 66,000 baskets.

Mr. Eaton: Okay. So the board actually paid for that share of the advertisement?

Mr. H. A. Epp: That money was taken out of Garden Acres. It had nothing to do with shippers. We agreed as a board, we will pay for one ad. That was a one shot deal, it's never been done before or after.

Mr. Eaton: You've not done it again then?

Mr. H. A. Epp: No. We haven't done it since.

Mr. Eaton: So, if you did, it would be done on your suggestion?

Mr. H. A. Epp: Since then the Ontario Ministry of Agriculture and Food and Mr. Newman have come up with Foodland advertising, so we've gone into an advertising program. We're advertising this year. And we're advertising in Quebec city.

I had a call from McGill Painchaw, the Painchaw broker from Montreal last Friday and he said, "Henry, it's a wonderful thing you fellows are doing. We've advertised in Quebec city. We had girls sampling cucumbers and tomatoes in the stores. And the produce they took was fantastic." They've

used a lot of produce, and we had great comments on what was done.

Mr. Eaton: So you would say the Foodland Ontario program was quite successful then?

Mr. H. A. Epp: Yes. We were very disappointed when it first came out because we thought we wouldn't be able to use it for Quebec. That was cleared up and we're very happy with it.

Mr. Eaton: Have you at any time, on a promotion program like that or at any other time, given Garden Acres Sales a volume discount? For example, if somebody has been taking 30,000 baskets and this week they say they're going to take 40,000?

Mr. H. A. Epp: Last year, we did that. We gave discounts on volume sales. This year we haven't done it. Last year we did and there were misgivings among the board. We have four area districts. Say Leamington has a high volume and we gave a chain in Toronto a discount, it would affect growers in the eastern region. There were some objections to that so this year we haven't done it. But we tried that one year. It has its good sides and its bad sides.

Mr. Eaton: Okay.

Mr. Hodgson: Mr. Epp, according to your statement here, you're the chairman of district one.

Mr. H. A. Epp: And the chairman of the total of all the districts.

Mr. Hodgson: Total of the province of Ontario?

Mr. H. A. Epp: The province of Ontario.

Mr. Hodgson: District one represents the whole province?

Mr. H. A. Epp: No. I live in district one.

Mr. Hodgson: Oh, you live in district one?

Mr. H. A. Epp: I live in district one, but I am the chairman of all the districts.

Mr. Hodgson: And you represent approximately 350 growers?

Mr. H. A. Epp: Yes.

Mr. Hodgson: How many greenhouse operators that grow tomatoes and cucumbers, would you estimate are not within the marketing board?

Mr. H. A. Epp: There are not supposed to be any that are not in the marketing board. They're all supposed to be in the marketing board. Now whether they all are or not, I couldn't say. They're scattered all over Ontario. In district one they all are, but they're not all in Garden Acres. We have six growers in district one, or Leamington,

that are not in Garden Acres. They are grower-shippers. But in Toronto, or the other districts, they are scattered so far that although they are in the marketing board, and pay their fees, most of them market their own product. Those in the Bradford marsh area—

Mr. Hodgson: That's where I'm interested in.

Mr. H. A. Epp: —ship to Bayshore. And my vice-chairman Bob Voorberg is back here; he ships to Bayshore. Others ship to Lenson, others to White and Co. But they are the shippers, they ship there.

They haven't got a central pack because they're scattered so far and wide it isn't feasible. A lot of them sell direct to the stores in their neighbourhoods.

Mr. Hodgson: I was a producer in the milk marketing board for many years and it was compulsory that every shipper had to be in the milk marketing board, or else he didn't ship to the milk market. Is that the case with greenhouse vegetable producers?

[9:00]

Mr. H. A. Epp: That's right. They can ship and sell their own but they are supposed to pay the board fees. We collect board fees. They have to pay a licence fee of \$100. When the season starts he pays \$100. If he ships more than \$100 worth of board fees he sends in the additional money. If he doesn't ship enough to warrant \$100, we give him a rebate at the end of the year.

Mr. Hodgson: But these producers are not marketing through an agency?

Mr. H. A. Epp: Each group has a producer-shipper licence.

Mr. Hodgson: But they are allowed to make their own agreements and bargain with the prospective buyer, whether it is a chain store or a local store, they can make their own agreement?

Mr. H. A. Epp: That's right. But we have a man in the Toronto terminal office, and a man in the market who goes from farmer to farmer and to the different outlets—wholesalers in Toronto—to check that that is complied with.

We as a board can't check everybody. We have hired personnel to report what is happening. Sometimes we question it, and when we do we send independent auditors to the shippers or individual growers to make sure they have complied with it.

Mr. Hodgson: And there doesn't seem to be any doubt in your mind that as far as the regulations of the marketing board are con-

cerned, most of these producers are not undercutting the faithful?

Mr. H. A. Epp: If a man sells at a farmers' market and gets cash, which is done a lot, we are assured they don't. How do you prove it? I don't know. But only a very small percentage of the total product is sold that way. We know that in Leamington 80 per cent goes through Garden Acres. We know what goes through Bayshore. We know what goes through all the wholesale houses. As to what they sell themselves at home on the farm, or in the farmers' market we have to rely on—

Mr. Hodgson: You are not condemning the free enterprise system. The producer and the buyer still has a little bit of bargaining position left, as long as they are not hurting their fellow producers by doing it.

Mr. H. A. Epp: That's right.

Mr. MacDonald: They are not supposed to go below the market price.

Mr. H. A. Epp: They are not supposed to go below the board price. We are assured that they are not.

Mr. Hodgson: But if a willing seller and a willing buyer don't go through the marketing board they could still make a deal?

Mr. H. A. Epp: If that was going on our shippers would have a tough time competing with these fellows selling. If they were always selling cheaper the shippers wouldn't have a chance to sell the product.

Mr. Hodgson: Some of them may be very small producers and they have a glut at certain times of the year.

Mr. MacDonald: Do you ever get a request from producers at the farmers' market at 3 o'clock in the afternoon for—

Mr. Vice-Chairman: With all due respect, Mr. MacDonald, there is no sense in everybody cutting in. Mr. McGuigan is waiting and he has about 30 seconds. Let's try to give everybody a fair opportunity. Everybody has their time, otherwise you can steal time and other persons don't get a chance.

Mr. MacDonald: Thank you, Mr. Chairman. I just wanted to avoid your wasting that 30 seconds.

Mr. McGuigan: Mr. Epp, you have described a unique situation in Ontario marketing—80 per cent of the product comes from a small area, it is a very perishable item, you use pools and so on, and it is not general to most of Ontario agriculture.

Wouldn't a lot of your problems have been solved if recommendation number five of the 1969 inquiry had been carried out? I quote:

"The Ontario Farm Products Grades and Sales Act should be revised to prohibit an individual firm from acting as both a buyer and a broker in the same transaction."

Don't you feel that would have covered a lot of the trade malpractices; and would have meant you wouldn't have had all the trouble you had in your organization; and would cover all growers in Ontario?

Mr. H. A. Epp: If we had implemented that we would have no alternative but to give them grower-shipper licences. But we would have so many grower-shippers we would have no control at all. We did have quite a few but except for maybe five or six growers we coaxed them into becoming shippers so we could control them. If we went to that recommendation you would have everybody a grower-shipper, and there is nothing in the law which says we can't have that. You must give them a grower-shipper licence if they apply for it.

Mr. McGuigan: I can't see the validity of that answer—that eliminating double brokerage would mean that everybody would become double shippers. I think you are describing another problem.

Mr. H. A. Epp: Maybe I don't understand your question.

Mr. McGuigan: In the United States, under the Perishable Agricultural Commodities Act you cannot be both a buyer and a broker. If I were buying as a chain store buyer and paying you 100 cents on the dollar it would be illegal for me to cast aside two cents into, say, Intersave, or anything else, as a brokerage fee. It is an illegal practice. And it was recommended here in 1969 that that be outlawed.

Mr. H. A. Epp: We have no brokers; we are all shippers.

Mr. McGuigan: I realize you are not brokers.

Mr. H. A. Epp: We don't allow one shipper to go and buy from another shipper to make money on that next shipper's product. They transfer it, but he is not allowed to go and buy from the other shipper and to speculate with it.

Mr. McGuigan: That is my point. You have done through your own organization what was recommended here.

Mr. H. A. Epp: They cannot now. This used to be a bad one. If somebody could get to market quickly he could buy the next guy out and then speculate on that product. This is strictly prohibited: they transfer, they share the commission. If it is transferred, the man receiving the product gets six

per cent, the man packing it gets three per cent for handling and loading.

Mr. McGuigan: So you have had to do by your own regulations—

Mr. H. A. Epp: That's right.

Mr. Vice-Chairman: If I may just interrupt. I think I'll have to call a halt at 10 after. I gave you five minutes, and I have to divide the time equally. So go ahead until 10 after, Mr. McGuigan.

Mr. McGuigan: I think I have covered that point. I want to ask a question of the minister, if he would allow me.

On May 16, a question was asked by Mr. S. Smith: "As far back as 1977, did the chairman of the Farm Products Marketing Board have some inkling that these things exist? Did he at least hear that reported to him?" And the minister said: "At the Greenhouse Vegetable Marketing Board we were drawn into it in July 1977. There was talk of discounts then, yes. I have referred to that in answer to one of the member's questions the other day."

We understand that Sun Parlour Co-op had made this allegation to Dr. Collin. Can the minister tell us about that and what action he took back in 1967?

Hon. W. Newman: I won't answer for Dr. Collin. I don't know if he is here tonight. Certainly we were worried about the problem that Mr. Epp has discussed tonight—whichever one it is. Is it Sun Parlour that is suing the board, I have forgotten?

Mr. H. A. Epp: Yes.

Hon. W. Newman: And it was because of the overall pooling system which the co-operative was faced with. You also asked a question about recommendation number five under the food council recommendations. Less than five per cent of the total produce of the province of Ontario—I believe I answered that in the House—is dealt with this way. We think it is less than one per cent, but we are saying less than five per cent.

Mr. McGuigan: Yes, but we just have one very small chain store company operating. A second one was doing it for a year. A third was moving into it. You could see the trend of where things were going. But to get to your question—you used the word "discount." I take it then that really was a wrong word on your part.

Hon. W. Newman: I would like to look at Hansard, and see exactly what I said, and the way the question was worded. The two per cent was not to producer. The two per cent was to the middleman whoever he may have been.

Mr. McGuigan: This does raise some questions. I wish the minister would look at it. Perhaps he used the wrong word.

Hon. W. Newman: Can you give me the page of Hansard?

Mr. McGuigan: It's May 16, page 2563.

Mr. Vice-Chairman: Could we have the grocery products manufacturers association please?

Mr. Nixon: While they are coming forward the last witness said if he gets the squealers in here maybe he will get some of that information. He indicated that he had no knowledge of any discount, and yet the minister's comment says that he had had discount complaints. Maybe we ought to get the Sun Parlour Co-op people up there as squealers.

Hon. W. Newman: Mr. Chairman, can I just comment on that?

Mr. Vice-Chairman: Gentlemen, you are out of order and please, Mr. Nixon, let's not have a fiasco out of it.

Hon. W. Newman: Mr. Chairman, I'd like to clear it up.

Mr. Vice-Chairman: We'll be clearing up everything, Mr. Minister. Please let's run the meeting the way it should be run.

Would legal counsel state his name?

Mr. Rowley: Mr. J. W. Rowley.

Mr. Vice-Chairman: And the other gentleman?

Mr. Rowley: Mr. Morley, the president of the Grocery Products Manufacturers of Canada.

Mr. D. Morley sworn.

Mr. Vice-Chairman: Go ahead, Mr. Morley.

Mr. Morley: Thank you, Mr. Chairman. First, I'd like to thank the members of this committee for the opportunity to appear before them on behalf of the Grocery Products Manufacturers of Canada. We have distributed to you a brief in which we point out that we are in fact the largest manufacturing industry in this country and the second largest in Ontario. So from the point of view of its impact across the country, we are an extremely important and high-employing industry.

Gentlemen, we welcome this opportunity to place before this committee of the Ontario Legislature, our views on the subject of merchandising practices of food retailers in Ontario and their effect on the grocery industry. This statement represents a consensus viewpoint of the members of GPMC

and has been approved by the board of directors of the association.

At the outset, Mr. Chairman, the GPMC would like to make a number of observations concerning those merchandising practices involving payment of moneys by manufacturers to Ontario wholesalers and retailers. The GPMC has a number of concerns as to the application of these practices.

Our members' chief concern arises from increasing pressure being put on manufacturers to purchase a wide range of promotional services required by some retailers. Such purchases are often made as a condition to handling the products of our members. It is the view of GPMC that these practices are in themselves reasonable and appropriate when they are cost-efficient. However, we are concerned that these practices, which have generally served the best interests of the industry, as well as the consumer in the past, may no longer do so in the future.

A second major concern relates to the present legislative treatment of these practices in the federal jurisdiction, as set out in sections 34 and 35 of the Combines Investigation Act. This act is generally interpreted as placing the burden of responsibility for fair trading practices on sellers, rather than jointly on both the sellers and the buyers.

While expressing these concerns, we have grave reservations about further restrictive legislation, or additional government intervention into the free market. Our members hold strongly to the view that the free market best serves the interest of the consumer. Full and open competition among both suppliers and retailers is chiefly responsible for the favourable levels of price and supply now prevailing in the food industry in Canada.

The ability of the food industry to serve the best interests of consumers is evidenced by the fact that Canadians enjoy—and this has been repeated on a number of occasions—the second lowest cost of food in relation to income of any country in the world. In 1976, Canadians were fortunate enough in having to spend only 13.6 per cent of their disposable income in purchases of food consumed at home.

[9:15]

This relatively low cost of food is reflected in the low profit margins of food and beverage manufacturing companies. Profit levels in the food processing sector have been dropping for several years. After tax profits fell to 2.69 per cent of sales in 1977 from 3.75 per cent in 1971.

At the same time, profits were rising for other sectors of manufacturing in Canada. All other sectors combined, excluding the food and beverage industry, had an after tax profit of 4.07 per cent in sales in 1977, up from 3.8 per cent in 1971.

Clearly, Mr. Chairman, this demonstrates that not only are food and beverage profits now as a per cent of sales, but also they have been declining in relation to other manufacturing sectors.

However, for every dollar of profit, the food manufacturing industry, in the past seven years, has invested, either in the form of retained earnings or borrowings, some 91 cents in plant and equipment. Despite this performance record, the industry finds itself today facing a dearth of capital investment to meet the future requirements of the industry. Only by constantly modernizing and installing more productive facilities will the industry be able to continue to serve the public as economically and as efficiently as is now the case, and therefore be able to maintain a high level of self-sufficiency in the Canadian processed-food industry. As long-term profit margins remain at their present inadequate levels, the future capability of the industry to meet the public's need will remain uncertain.

Now, gentlemen, if we can look at the present situation, allowances—I'm referring to promotional allowances—provide one of the two sources available to retailers, the other being income earned from sales at the store level. Revenue from allowances is generally referred to as head office revenue, while income on sales is referred to as store revenue. Head office revenues are becoming an increasingly important factor in the total food store income. This has been a factor that has been mentioned in the Bryce committee report.

Food retailing has been subjected to increases in the cost of supplies, energy, and wages in an industry noted for its labour-intensity. As a result, retailers have turned to manufacturers' allowances as one way of offsetting some of these increases.

It may be useful to describe the various types of discounts, rebates and allowances, common not only to the grocery trade but to many other fields of business in Canada.

First of all, cash discounts. A common business practice designed to encourage prompt payment of invoices, cash discounts now represent an important source of head office revenue and range upward from one per cent. Incidentally, a one per cent discount for payment in 10 days net 30 is

equivalent to an annualized interest rate of 18 per cent.

Volume rebates: These are escalating allowances paid to purchasers for achieving certain volume levels over a prescribed period of time—usually a year.

Case allowances: Temporary incentives consisting of a given amount per case to encourage sales of a particular product at a particular time of year.

Co-operative advertising and merchandising allowances: These are payments made by processors to retailers for services rendered in promoting a product. Such services cover co-operative advertising, in-store promotion such as special displays, retail price reductions during promotional programs, or a combination of these.

Discounts for quantity purchases: Offered in the form, for instance, of a special price for a carload or a truckload lot of a product.

Other allowances: Some retailers seek payments over and above committed plans in support of their special promotions or to list products.

Gentlemen, there is no question that these payments of discounts or allowances are permitted by law, provided two conditions are met: first, that the price offered to each buyer is the same for equal volume and quality; and, second, that co-operative advertising and merchandising allowances are made available in proportion to sales.

Now, can we turn to the question of the imposition of high-cost promotional packages?

As we have stated, the GPMC contends that, in principle, the payment by manufacturers of some types of merchandising allowances, provided they are reasonable, can represent an effective marketing mechanism in moving grocery products through the distributive system to the consumer. This committee has raised two important questions. First of all: Do present merchandising practices require manufacturers to provide discounts, rebates or allowances to grocery retailers and wholesalers?

Our answer is yes, in virtually every case. This is a fact of the competitive environment in which our industry operates and in which we live.

The second question is do discounts, rebates and allowances adversely affect the consumer through higher prices? Our answer, gentlemen, is generally no. Here too the competitive process works in favour of the consumer. However, as profit margins at the retail level are only one per cent, revenue loss from head office revenue derived from

various discounts, rebates and allowances would have to be offset through higher prices or greater efficiencies in order to maintain retail profits at their present level.

Accordingly the GPMC does not argue for elimination of manufacturer promotion payments to retailers. We do, however, have three major concerns about these premium payments.

Firstly, listing allowances, however expressed, are already adding to the high costs and risks of new product introduction. Manufacturers who do not accede to the retailer's requirements may find that major segments of the market are closed off to them. This can lead to inefficiencies in the marketing process, and make the possibility of product failure more probable, at a time when retailers are indicating a greater need for viable new product development. This, gentlemen, is in face of competition from the fast food outlets. The consumer, thereby, is losing, or can lose, the opportunity to try new products and express approval or rejection.

Second, the ability of retailers to impose high-cost promotional packages on food manufacturers deprives manufacturers of the flexibility in determining the most cost-effective method of providing market support for their products.

Third, further escalation in the costs of retail-sponsored promotional services, in the longer term could place the retailers in a position of becoming the sole arbiters of what products shall be offered to the consumer, as opposed to consumer preference being the determining factor.

Retailers and wholesalers have a legitimate right to request the most economical terms possible and to price the merchandizing services they provide to manufacturers as they see fit, just as do television stations, magazines, newspapers and other media. Similarly, manufacturers, however, should be free to buy or not to buy these services on the basis of their cost-efficiency.

Can we now turn to the issues related to the Combines Investigation Act?

The GPMC does not regard government intervention, in the form of restrictive legislation, or regulation, as being a desirable way to deal with grocery merchandizing practices. However, there is one concern that we have already brought to the attention of the federal government in a brief submitted to them on Bill C42, An Act to amend the Combines Investigation Act. In our brief we suggested that the present ambiguities in sections 34 and 35 of the Combines Investi-

gation Act be eliminated, so that full responsibility for compliance rests equally on both the shoulders of the buyer as well as the seller.

Except for this, we are satisfied that existing legislation, when effectively enforced, is adequate to deal with our present concerns. Additional government regulation would add to costs and reduce market flexibility.

In summation, the Grocery Products Manufacturers of Canada has reached the following conclusions:

First, we conclude that certain merchandising practices generally followed by the grocery industry have a role as a food marketing mechanisms and can, when based on the principle of cost-efficiency, contribute to marketing effectiveness and act as a moderator of costs and prices.

Second, we conclude that the cost and imposition of some of these practices are of concern to GPMC members because they are reducing the manufacturer's freedom to choose the most cost-effective marketing method for their products. This could in the long term put retailers in the position of becoming the arbiter of what products are offered to the consumer.

Third, we conclude that the ambiguities in regard to shared responsibility under sections 34 and 35 of the Combines Investigation Act should be removed and that full responsibility for compliance be placed equally on the shoulders of both buyers and sellers. If these ambiguities were to be removed, and if the act were to be effectively enforced, additional government regulation, indeed, would not be necessary.

Mr. Chairman, and members of the committee I wish to thank you for having an opportunity to present our brief to you, and now we will look forward to questioning, particularly in relation to the Bolton letter.

Mr. Vice-Chairman: If I may just advise the committee that 9:45 p.m. is the deadline. It is entirely up to the committee. The minister is first, and Mr. Nixon second.

Hon. W. Newman: Mr. Morley, a couple of questions. I think on page three you say, "Profit levels in the food processing sector have been dropping for several years. After-tax profits fell to 2.69 per cent of sales in 1977 from 3.25 per cent." Your profits as a percentage of sales are, by and large, more than double what those of the chain stores are. Is that a fair assumption?

Mr. Morley: Yes.

Hon. W. Newman: Is there a possibility that they may be trying to get more out of

you so that theirs can go up and yours will go down?

Mr. Morley: That assumption could be followed through.

Hon. W. Newman: Fair enough, I just wanted to clear it up. On page six: "However, this committee has raised two important questions: Do present merchandising practices require manufacturers" et cetera. You say: "Yes, in virtually every case." If I am reading you correctly here, you are saying that the retail outlets are demanding these. They are not negotiated?

Mr. Morley: Oh yes, everything is a matter of negotiation and comes as a part of the competitive process, Mr. Minister. There is no question about that.

Hon. W. Newman: Then you say on page seven: "Manufacturers who do not accede to the retailer's requirements may find that major segments of the market are closed off." I just don't quite understand that.

Mr. Morley: I think when you are bargaining in relation to price and you are in a competitive situation in a particular category, as I think has been pointed out by previous witnesses, the criterion used in selection of one product over another is the net net cost as far as the retail level is concerned. Obviously this puts a considerable amount of pressure on the manufacturers to ensure that their products remain on the shelf or are listed.

Hon. W. Newman: I won't read the rest of that page, but on the second and third item, do you feel that the retailers should be paying the cost for new product introduction?

Mr. Morley: I think there can probably be a fairer and more equitable distribution, and this is one of our concerns.

Hon. W. Newman: I realize this has been approved by your board of directors. Would some of your members perhaps differ with what you have presented here tonight?

Mr. Morley: I'm sorry?

Hon. W. Newman: On co-operative practices, you state in your brief that this was endorsed by the executive of your association. Would some of your members have a different opinion than you would?

Mr. Morley: As I stated in the introductory paragraph this represents a consensus.

Hon. W. Newman: You represent a consensus of opinion? You have gone through this brief, and I have followed it through with you, and you are dealing with primarily the new competition bill, the amendments to the Combines Investigation Act, which deals with price setting, trade practices, et cetera.

Do you feel that your brief really lies within the purview of the Combines Investigation Act?

Mr. Morley: Certainly that section that deals with the Combines Investigation Act, Mr. Minister; there is no question about that.

Hon. W. Newman: But you are talking about trade practices, price setting, et cetera. Do you feel that basically your whole brief lies within the confines of the Combines Investigation Act?

Mr. Morley: No, what we have done is to refer to certain concerns we have about existing trading practices, particularly one, this question of other allowances on moneys paid over and above committed marketing plans, and that is the issue we have raised before this committee because this question has been raised before. The other section, certainly the third point, does deal with the federal government, yes.

Hon. W. Newman: One final quick question, because I don't want to take too much time. You stated when you started out that you want really no further government legislation than what is already there. Then you go on through your brief—and I won't mention the brief—pointing out some problems. Do you feel some of those problems should be legislated?

Mr. Morley: No sir. I think this committee has performed a very important function in identifying the issues and in so doing I share the same view of the witness of a previous night that I think this has brought this issue to the public attention and your attention.

Hon. W. Newman: So you don't feel there is any need for further legislation at this point in time?

Mr. Morley: Absolutely not.

Mr. Vice-Chairman: We have 14 minutes for Mr. Nixon, Mr. Peterson, Mr. McGuigan and Mr. MacDonald.

Mr. Nixon: Mr. Morley, do your members feel that the heavy pressure from the main chain stores, because of the competition they experience, is unduly restricting their actions and perhaps even their profit potential?

[9:30]

Mr. Morley: I think one has to be careful when one talks about unduly restricting actions. This is a competitive market and you bargain in that market. It's really the same as you going out to buy a car and maybe going to three dealers and saying you've got a better deal from Dealer A as opposed to B and then Dealer B has to make a decision as

to whether or not he wants to meet the competition. I think we are dealing in that competitive environment.

Mr. Nixon: I have a copy of a questionnaire put out by your organization to your members dated February 1976. I don't know if you have that available, but on page five of the copy here, in a summary of the information the questionnaire was able to gather, I quote from the report which is a document of your own organization: "A wide variety of concerns were expressed but the most common were in the area of chain-supplier relations and dealt with the increasing power and concentration of chains, the declining economic value of package promotions and the necessity for individual companies to continue to buy them in order to maintain listings and shelf space."

The reason I found that significant is because of letters that were put into evidence when the president of Dominion Stores was present at an earlier hearing. I actually see the gentleman in the room tonight. I felt that the letter signed by your predecessor, Mr. Steele, the president of the organization, was very strong in its more or less inherent criticism of the practices in this instance of Dominion Stores, but which from our experience seem to apply to the major competitive chains, that would be Dominion and Loblaws, to some extent IGA and A&P and so on.

The letter we have is dated January 20, 1977, and perhaps I should begin by saying it's addressed to Mr. Bolton and when we were questioning him here and he actually put these letters on file, I understand, with the committee, he indicated that your organization essentially withdrew in a subsequent letter the inherent criticisms in the first letter. Is that a fact?

Mr. Morley: That was his interpretation, but it certainly isn't ours.

Mr. Nixon: In the letter dated January 20, there are just three quotes that I want to make from it and ask you for your comments. It really is relating to the pressures that come from the major chains to the suppliers, most of the suppliers or a good many of them being members of your organization.

In paragraph three of that letter your predecessor says, and I quote: "Pressures to increase such promotional allowances will be increasingly resisted by your major suppliers because of the view that we hold that this is not the way to build healthy growth either for manufacturers or retailers." This is more than a year ago. Has there been increasing resistance, as the warning is, or

was there any reduction in the demand from the chains?

Mr. Morley: Mr. Chairman, I have to in this instance report hearsay evidence, if I may be permitted to do so. I understand that after that went out there was some reduction in the pressures, but I think we are back to a reasonably high level of competitive pressure right now.

Mr. Nixon: The reasonably high level has returned. You're aware that a short time ago, when this matter first came to the attention of the Legislature, the major chain stores withdrew a practice that had evolved of a two per cent discount and they publicly withdrew that. That has not returned, has it?

Mr. Morley: We, of course, weren't involved in that because it related to the producers.

Mr. Nixon: Right: You would say that since the time of this letter the pressures have probably increased not decreased, as far as your suppliers are concerned?

Mr. Morley: I think they are pretty steady.

Mr. Nixon: Let's see, the fifth paragraph says: "Threats of delisting are an unhealthy expression of the competitive process since your purpose as a retailer is clearly to build higher volume and this is also entirely consistent with the objectives of your suppliers." Are threats of delisting common, particularly with the major chains in your experience and from complaints from your members?

Mr. Morley: I think we have to look at the word "threat" in rather an important context. If I can explain the way in which the process operates, then maybe I think one can understand what in fact is meant by that word in that particular paragraph.

Basically, a company establishes marketing and promotional expenses at the beginning of a particular year, and then it negotiates with the chains for certain packages to be promoted during that year.

What happens after that is that there may be certain promotions that the chains put on—let's say "Buy Canada Week" for an example—and they will come back to a supplier and say: "We would like you to participate in this." Of course, the supplier has made some commitment of his funds, obviously in proportion to the allowances provided to others, and he may or may not participate in that promotion. Obviously, if he does not participate and a competitor does, this creates pressures on the supplier. That is a part of the competitive environment in which we are operating right now.

Now obviously from the point of view of some manufacturers this is looked at as

threatening their particular environment. So when you look at the word threat I think it has to be looked at in that context.

Mr. Nixon: There is a reference also in the letter in paragraph two of page two as follows: "We would also like to see a careful reappraisal of the 'refusal to sell' and 'refusal to buy' concepts in the law." That would be closely allied to what the letter calls a threat of delisting, would it, and perhaps explainable in the same way?

Mr. Morley: This really gets back to the question of sections 34 and 35 of the Combines Investigation Act, Mr. Nixon. It's in a referral to that.

Mr. Nixon: You've already mentioned that. There is another reference in the letter to matters which according to the letter "cannot be set out as clearly in a letter but which we would like to discuss with you." Would you care to comment on what those matters would be, and tell us if you had an opportunity to discuss these matters with a representative of Dominion Stores, as requested?

Mr. Morley: If I can take your two questions, the first one, and I have asked Mr. Steele in relation to this, this referred to the whole issue of trying to improve the trade relations, that is between suppliers and the buyers. The second question was that subsequent to this letter coming out I think there was one telephone conversation between Mr. Steele and Mr. Bolton, and that was it.

Mr. Nixon: Then in a letter also tabled at the same time addressed to Mr. Bolton, once again by Mr. Steele, dated February 14, in the third paragraph he says: "I appreciate that my recent letter to you about co-operative allowance policies has caused a lot of misunderstanding about our intentions and I sincerely regret this because there is a continuing need to talk about the matters raised."

You do not consider that a retraction, if that's the correct word, of the matters that I have quoted to you from the original letter?

Mr. Morley: If I can explain the intent of that, perhaps it could have been worded somewhat differently. The intent of that was to say Mr. Bolton regrets that this was in fact raised directly with him when clearly there were problems, as you've stated earlier, with some other of the retailers.

Mr. Nixon: The letter requests a meeting, obviously for further discussion, and if not with Mr. Bolton then presumably a representative of the firm. Did these meetings take place and did they result in any change of policy?

Mr. Morley: Mr. Nixon, there were no meetings between the members of the association as such. There have, of course, always been, over this whole period of time and before this, meetings between the individual manufacturers and suppliers and individual wholesalers and retailers.

Mr. Nixon: And rather than a change in policy that would assist your suppliers, you have testified that the pressures have been maintained, and I even got a feeling that they have in at least some respects been increased since this exchange of correspondence.

Mr. Morley: It's a very competitive business.

Mr. Vice-Chairman: There is five minutes to go, gentlemen.

Mr. MacDonald: Mr. Chairman, on a point of order, on the list you gave they're all from one party. Normally the principle we've been operating on for quite some time is that there's equal division of time among the parties.

Mr. Vice-Chairman: Mr. MacDonald, I'm only the acting chairman tonight. When you made these rules and regulations at the beginning of the meeting you did not state that and therefore I as chairman am not bound by that. Now just before you start yelling, you noticed that the Liberals were talking. Why wait until near the end of the meeting to bring it up? You knew that I was acting chairman. I'm not familiar with the agreement that you people have made, because at times you cannot agree on anything anyway, whether this is Thursday or not. I'm saying, in all due respect, that as chairman I am not a member of any party. I try to be as fair as possible.

Mr. MacDonald: On a point of order, Mr. Chairman, in all fairness the time for questioning should be divided equally among the parties. That's the basis on which we have been operating for some time.

Mr. Vice-Chairman: But don't you think—

Mr. Nixon: A point of order, if I may. I would certainly agree. Let me assure you, Mr. Chairman, I believe we would all agree that you are doing an excellent job, and about to do an even better one. But let me suggest your deadline of 9:45, with the consent of the committee, might be somewhat adjusted, maybe for an additional 10 to 15 minutes, because of the importance of this testimony.

Mr. Vice-Chairman: Let me explain the situation: There is Peterson, McGuigan, MacDonald and Eaton.

Interjections.

Mr. Vice-Chairman: I'm chairing the meeting, Mr. Wildman, if you don't mind. When you are chairing the meeting you can tell me.

I'm saying, with all due respect, if we go to 10 o'clock with this committee scheduled to rise at 9:45—15 minutes more—then you'd have to go to 10:45.

Mr. Nixon: Maybe. It would just depend on what comes next.

Mr. Vice-Chairman: Would that be satisfactory? If I may ask, before we get into a hassle, do you want to go in this order?

Mr. Nixon: No.

Mr. MacDonald: No. You rotate on parties.

Mr. Vice-Chairman: All right. Is this agreeable to the other members who are in line? Then it would be Mr. MacDonald, then Mr. Eaton, then Mr. Peterson and then Mr. McGuigan. Is that satisfactory?

All right, go ahead, Mr. MacDonald.

Mr. MacDonald: Thank you Mr. Chairman.

May I ask the witness: on page two of your brief you referred to the increased pressure being put on manufacturers to purchase a wide range of promotional services required by some retailers. Such purchases are often made as a condition of handling the product.

Are you in effect saying that if some of your members are not willing to participate in these promotional practices, the supermarket will not buy their product?

Mr. Morley: That's correct, but I think you have to qualify that. Mr. Nichol testified that there was a cost associated with introduction of every new product and therefore there was some reason for asking for some money for that introduction.

Mr. MacDonald: I'm not talking about new products at the moment. That would be a listing. This presumably is general promotion of products—under general circumstances. I'm referring to a situation where a supermarket comes to one of your members and says, "If you don't participate in this we don't take your products."

Mr. Morley: I think that has to be looked at. We have no data on that in relation to how that particular retailer evaluates the profitability of that particular product. It may or may not be removed from the shelf for that reason. What I think has been said in the past is that participation in certain cost promotion programs creates revenue for the retail level. Therefore if that revenue is not created, the retailer may well go to another supplier.

Mr. MacDonald: In other words he will refuse to take the product of that member

if he doesn't participate in the co-operative advertising?

Mr. Morley: That's his business decision. Yes.

Mr. MacDonald: Fine. I'm rather intrigued that in the view of the GPMC these practices are in themselves reasonable, appropriate and cost-efficient. Who does the cost efficiency calculations?

Mr. Morley: Mr. Chairman, with your permission, I could table some information I have related to that fact. It would graphically express or demonstrate the concern that members of our association have in relation to what we are calling cost efficiency.

If one looks at the co-operative advertising and the various packages that are available to our members to participate in, one can see the changes that have occurred in cost from 1973 to 1978. The variances are on the right hand margin.

[9:45]

We have, for the convenience of the committee, illustrated at the bottom media cost increases 1972-1978, and have broken them down by various media groups, with a composite of 67 per cent. The point I am making is that in some instances it might be more cost efficient to advertise directly through some of these other media than participate in the programs of the chains.

I should point out that there may be some changes in the nature of the package from 1973 to 1978, and also that the particular packages do involve in-store promotion as well as co-operative advertising. I hope this illustrates the point we are making.

Mr. MacDonald: We have had testimony with regard to these co-operatives before and I really don't want to pursue that. But is this not the kind of pressure that was referred to in the letter that Bob Nixon has quoted extensively, wherein you say, "pressures to increase such promotional allowances will be increasingly resisted by our major suppliers"? Aren't there some of your members who say, to quote from your own brief, that what is happening here is that the retailers are deciding what is going to go into the store? Your members, the producers, the manufacturers, are sitting out there with a product which they can't sell if they don't play ball with the supermarket in terms of these promotional allowances.

Mr. Morley: I think I have to go back to my earlier comment, Mr. MacDonald. Clearly the decision of any buyer is his or her right to determine what they will buy, and therefore they have to do that on the basis of

a number of criteria. The point we are making here is that we think there are some more cost-efficient ways of making products available and known to the public.

Mr. MacDonald: But the cost efficiency is a decision that is being made by the retailer for the most part, not by your people.

Mr. Morley: No, I think we can say that if you do not want to participate in the particular program you can presumably spend your marketing funds in a different way.

Mr. MacDonald: But if the supermarket doesn't take your product?

Mr. Morley: The product may be on the shelf already. It may be one of these special promotions over and above the arrangements that have been made, and so you do not participate in that particular promotion.

Mr. MacDonald: Forgive me, and let me put it bluntly to you. Am I being too unfair if I ask aren't you trying to have it both ways? You are complaining about the pressures which force your manufacturers to share in these allowances. If they don't their product is not likely to get bought by the supermarket. Yet in another part of your brief you are arguing that the decision as to what product is put on the shelves is exclusively, or to too great an extent, that of the retailer.

Mr. Morley: We have been asked by Mr. Nixon to explain what was meant by the word "threat" and the problems we are facing. What I have tried to outline to you, Mr. MacDonald, is the concern of the industry. Obviously nobody likes either to lose a listing or not get a listing, and this is of concern.

Mr. MacDonald: May I just pursue one other question, Mr. Chairman? The price offered—this is on page six—to each buyer is the same for equal volume and quality. Does that not mean that the volume discount—and what you are talking about here is discounts—for chain store A which is the biggest chain store, is going to be the biggest volume discount? For chain store B it would be somewhat less, and for chain store C it would be somewhat less again? It has to be on the same amount, otherwise they don't have to share that equal allowance?

Mr. Morley: You have raised this before and I think there are a number of answers to that.

First of all what one is doing is recognizing the economies of scale and in many instances the lower cost of distribution of a product, and therefore passing those savings on. Cer-

tainly the suppliers—as I think again has been mentioned—structure their discounts in a way that they obviously reflect their knowledge of the buyers and the relative differences between them. If we look at the smaller supplier—which I think is your concern—many of these have grouped together in buying groups, as has been illustrated earlier—

Mr. MacDonald: But still get a smaller discount.

Mr. Morley: They may or may not, depending on it. But again, it is an economic benefit to them. If you look again at some of the smaller operations, they have less overhead in some instances and therefore are able to operate at a lower margin because of that reason. I think also it's been shown or demonstrated that since 1974 the independents generally have gained slightly in market share—I think the movement was from about 31 to 32 per cent. Finally, it has been stated that the smaller retailer can often provide a special service which may be operating at different hours and therefore you have a different market situation.

I'd like to make one final comment if I may, and it refers to the massive study done by the US Department of Justice on the Robinson-Patman Act. The conclusion on page 99 says: "The Robinson-Patman Act has several significant costs to society. Its most pernicious effects are the reinforcement of pricing rigidity among sellers in oligopolistic industries and the introduction of pricing inflexibility and the encouragement of price discussions among competitors which may lead to violations of the Sherman Act.

Further on, on page 100, they say: "Finally, the Robinson-Patman Act can actually make it more difficult for manufacturers and distributors to help small business meet competitive challenges."

So you have one problem down in the south and the question is there are some real problems in terms of volume discounts. I'm trying to present both sides of the argument.

Mr. MacDonald: But by definition, a volume discount is bigger the more volume you've got. Therefore, these allowances permit the big to become bigger and the smaller are having a tougher time to negotiate.

I spoke to one small grocery man in Kit-chener who said that on occasion the wholesale price quoted to him is higher than the retail price the supermarket down the street is selling it for, because of the number of dis-

counts they were able to get. And this is not on a loss leader product.

Isn't that the inevitable result of the bigger discounts going to the bigger fellow? The little fellow getting virtually no discount at all?

Mr. Morley: I don't see that and I don't think the evidence points to that. Unless my statistics are wrong, and I'm quoting them from a Financial Post article of today, the independents are certainly retaining their market share. So I have difficulty in associating the facts of what is actually happening with the conclusions that you are drawing.

Mr. MacDonald: I can tell you that this small grocer—I spoke to him again today—was rather surprised today to receive a letter from National Grocers, which I think is a wholly-owned wholesaler of Loblaw's, saying that the discounts are available to him now and he had never had it before. Mr. Nichol has sent out his letters.

Mr. Morley: That's obviously progress.

Mr. MacDonald: It's obviously progress. But it's progress on the point that I am saying. I'm not in a position to dispute the figure that the independents are holding their share of the market but every little independent I've talked to has his back to the wall.

Mr. Morley: But I think, Mr. MacDonald, there's a difference here between the volume discounts that are given by manufacturers to buyers who may be wholesalers or retailers, and how those wholesalers pass on those discounts to the smaller stores. Really I think I'm the wrong person to question on that issue.

Mr. MacDonald: You may be right.

Mr. Eaton: A quick question: I see among your list of members there's a number of companies that would be buying direct from producers, processing and then selling to wholesalers or retailers. Do any of those companies ask producers to share in the cost of these promotional programs?

Mr. Morley: To my knowledge, Mr. Eaton, the answer is no.

Mr. Eaton: Thank you.

One other quick question—it's really not a question—more of a statement. You indicate that there's already high risk in introducing new products and that you're concerned about the retailers' requirements. On the other hand we had the retailers saying that they were faced with that high cost too, and were concerned whether a product would make it on the market, so I suppose it's equally a sharing of both sides when you're getting into that risk. If they've got a product on

the shelf already that's moving, and you've got a new product you want to introduce, there is quite a responsibility on your manufacturers to share in the cost of promoting that product and getting its acceptance by the consumer.

Mr. Morley: The manufacturer does in fact promote the product. He may promote it by direct advertising to the consumer or through a combination of—

Mr. Eaton: You do that sometimes then—promote it by direct advertising hoping you can create a desire for it in the consumer and that the chain store will then want it on their shelves.

Mr. Morley: That's a very important point, isn't it?

Mr. Eaton: Well that gives you the flexibility you talked about a minute ago in making those economic decisions on which is the best way to promote the product.

Mr. Morley: That is quite correct, as long as one has the funds available to be able to do that.

Mr. Eaton: If you don't you hope the chain stores will share with you in that promotion?

Mr. Morley: Well, I don't think our industry particularly wants to become totally reliant on the benevolence of the chains.

Mr. Eaton: I don't think they are very benevolent.

Mr. Peterson: You say manufacturers should be free to buy or not buy these services on the basis of the cost-efficiency. Obviously you feel they are not in that position. Could you give us some examples of that?

Mr. Morley: Well, sir, the paper I have distributed is really an attempt to give that as an example. You really have to make a pretty tough decision here. Are you going to accept that promotional package or not? We are saying that probably there are cheaper ways of promoting a particular product than buying a promotional package of the chain, given the difference in cost increases.

Mr. Peterson: Well, the way it is now, it's two elephants fighting and whoever comes out of the match is best. And that's roughly how it works. You can live with these packages as long as they are reasonable, but you have a vague feeling that they are becoming unreasonable and eventually the consumer is going to suffer. Certainly that's the theme of your document.

Mr. Morley: Could I express it this way, if I may sir? Let's assume a marketing budget is in fact 10 per cent of sales, and that you now have a split of five per cent on direct

advertising to the consumer and five per cent in trade promotion. To the extent that you shift that balance, more money is coming under increasing pressure from the direct advertising into the consumer, into the trade promotion.

The trend, if you follow it through to its inevitable conclusion, is that all moneys can end up in the right hand as opposed to being in the left. When you look at the problems of the profits of the industry and the need to have a sufficient amount of money for new product development, introduction, research, and advertising to the consumer, our feeling is in the longer run one can face the danger, if too much goes from the left hand into the right hand, of the retailers becoming the arbiter of what the consumer will choose.

Mr. Peterson: And what is a reasonable distribution of these moneys?

Mr. Morley: That really depends very much on the manufacturer and the products. Some do absolutely no advertising directly to the consumer at all. They will pack directly for a private label for the chain and that's done under some form of a contract and that's it. So you have a whole range of practices within the industry. But the important thing, the value of advertising, is to keep the consumer aware of new products being introduced, to keep him or her aware of what is available in terms of discount.

Mr. Peterson: Sure. You want more money spent on old products than on new products. A heck of a lot more advertising money is spent on old products than on new products. Surely?

Mr. Morley: In a competitive market environment you have to make sure that the products you have on the shelves remain there and that there is a continuing consumer demand.

Mr. Peterson: Are you aware of anyone who has ever been delisted for not subjecting themselves to these kind of very intense pressures that you get from major customers?

Mr. Morley: Again, I go back to my earlier answer; one must look at that as a business decision in a highly competitive business. While it may be extremely unpleasant and the person who may lose a listing, or may not get one, finds this a concern then, obviously, this is what we are talking about.

Mr. Peterson: Are you aware of any specifically?

Mr. Morley: As has been indicated earlier, products are moved off the shelf for a number of reasons and new products are listed, yes. But, again, one has to look at the criteria.

Mr. Peterson: Obviously you are not happy about this but you are not helping the committee, very frankly. There are a lot of things that are interesting to us but they are so vague and general, you are not being a heck of a lot of help to us. Could you be of more specific help to us?

[10:00]

Mr. Morley: Well, what do you want me to say precisely? Then maybe I can say with what I agree or don't agree.

Mr. Peterson: I just want you to answer questions as precisely and as specifically as you can. Very frankly, as you know, there's been a theme through this entire committee hearing that people have been quite afraid to come forward with specifics or suggestions as to how we can help. On the one hand you say you are worried that the consumer may suffer in the future. On the other hand you're saying, "Don't touch it, don't do anything more." I'm asking for your advice on how to help this committee.

Mr. Morley: My advice is the committee has done a useful function in identifying a problem. We have here outlined what our perception of that problem is. We're saying we're operating in a legally competitive environment. You asked us for a concern and we've expressed what that concern is. Now I suggest that it may be a judgement on your part as to whether that concern is valid or not. But we have tried to state as openly as possible what it is.

Mr. Peterson: Do you know of anyone who's specifically delisted?

Mr. Morley: Oh certainly—whose products have been moved off the shelf.

Mr. Peterson: Could you name some of those?

Mr. Morley: No. I don't think I can. Obviously this is a confidence that must exist between myself as president of the association—

Mr. Peterson: You say some retailers seek payments over and above committed plans, number six called them "other allowances", in support of their special promotions or to list products. What are you referring to there? Are you talking about listing allowances, a set fee?

Mr. Morley: It can be that, and it also can be a question of participation in—

Mr. Peterson: Could you give me some examples of that kind of thing?

Mr. Morley: Again I refer to the special promotion for "Buy Canada Week", let's say.

You will be asked to participate in a special promotion program to—

Mr. Peterson: Then you imply in those situations there's not a free choice. You say the manufacturer should be free or not to buy. Are they or aren't they free to buy these things?

Mr. Morley: Oh clearly, clearly. I certainly don't want to leave that impression that they are not free or not free to buy.

Mr. Peterson: You're saying they should be free, so you're implying they're not.

Mr. Morley: The answer to that is that basically some people feel that they are in the position of not being free to buy. The option, looking at the competition, is that if they don't participate in these particular promotions, they may find that the net net cost moves in the advantage of another supplier.

Mr. Peterson: Do you know of anyone who's been delisted as a result of failing to participate in this kind of program?

Mr. Morley: That's coming back to exactly what I said. You're trying to say to me, "All right, can you give me a specific example of a product that's been delisted?" I come back and say, "Yes, the products are moved off the shelf." But again you have to look at the criteria.

Are the profit margins in fact sufficient to sustain that product on the shelf? Is there a better product? And when you put all the money together, does the net net cost from the point of view of the person purchasing the product justify product A over product B?

Mr. Peterson: Let me just be a little more specific. Are you aware of people who have been delisted because they did not participate in a specific kind of a promotion? Is there that kind of pressure exerted? Would they say, "Look, you must participate," and you say "No, I can't afford it, it is not cost efficient for me," and they say "I'm going to haul your stuff off my shelves"? Is that the kind of pressure you're talking about?

Mr. Morley: Certainly there is that kind of pressure. But I don't know, and that manufacturer doesn't know, what in fact are the economics of the retailing of that. So products come off the shelf for a number of reasons.

Mr. Peterson: Does your organization get involved when someone's delisted?

Mr. Morley: Absolutely, no. We don't involve—

Mr. Vice-Chairman: If the chair may interject, we went five minutes by the allotted

time that the committee had agreed upon. I think that we can keep on another five minutes and another five, and the first thing you know you'll be here until very late and then you'll have somebody complaining that the chairman didn't run the meeting properly. You can't satisfy everybody, so I think we'll call the next group, if you disagree with the committee.

I think the minister wants to ask for something.

Hon. W. Newman: I just want to ask for some information, Mr. Morley. You handed out as an appendix, I guess, to your brief, a list of co-operative advertising, which shows the percentage variance from '73 to '78. Could you possibly supply us with the increase in sales proportionate to the increase in cost?

Mr. Morley: I don't have that figure but I certainly will try to get it.

Hon. W. Newman: Could you submit that to our legal counsel?

Mr. Vice-Chairman: The retail people please.

Alasdair McKichan, sworn.

Alastair Smith, sworn.

Mr. Vice-Chairman: Order please. For the purpose of Hansard and the members of the committee, would you identify yourselves please gentlemen.

Mr. McKichan: My name is Alasdair McKichan, I'm president of Retail Council of Canada. Appearing with me is Alastair Smith, who is the vice-president of the council and general manager of the food division. Both Mr. Smith and myself are full-time paid employees of our organization. The elected chairman of Retail Council of Canada this year is Mr. Thomas Bolton of Dominion Stores Limited. As you know, Mr. Bolton already appeared before this committee and as a result he is not appearing as a witness tonight, but he is in the audience.

May I say, we are pleased to have this opportunity to appear before the committee. We perceive our role as being both to comment from an industry standpoint on some of the evidence you have received, and also to comment, perhaps, on some of the theories for change in the regulatory structure, which you have heard from other witnesses.

I should perhaps explain that the membership of the retail council is made up of both large and small retailers. In the food area our membership is all within the corporate sector, although some of that membership does in fact represent independents through franchise arrangements.

As a matter of policy we confine our representational activities to areas where the trade, regardless of size, is substantially of the same opinion. We do not attempt to achieve a consensus where there appears to be sharp differences within the trade.

It is perhaps not surprising that the food trade has been the subject of so much comment and investigation in recent years, given the universality of interest in food and its costs; given a pattern of sharp increases in food costs repeated on a cyclical basis over recent years; and given the relatively sharp fluctuations in farm income and the substantial differentials in income of farmers of different types over the last several years.

We do have a regret that there has been such a pejorative tone in many of the recent allegations made towards firms involved in food retailing. In our view no evidence of intentional illegality has so far been presented. There has been no indication of bribery or other such undesirable practices. The discount terms and their promotional plans used in the food distribution system have been shown to be completely legal, in keeping with those used in other facets of commercial life and, above all, to be economically justifiable and productive.

In our submission we set out a fairly detailed and, we hope, explicit explanation of the various types of discounts which are common within the food trade in Ontario. I might say, in parenthesis, that discounts of a great many types justifiable for good economic reasons are commonplace in most businesses and most trades, not only in Canada but throughout the world.

In the specifics of the Ontario food trade, the situation is this. Volume discounts are offered by suppliers to reflect the lower unit transaction costs of larger orders and the operational efficiencies resulting from forward volume commitments during an operating period. Promotional allowances are made by a supplier in return for preferential in-store display for his product and for promoting his product in the media and in-store advertising carried out by the retail store. Both in-store displays and advertising space involve direct and opportunity costs towards which it is suggested that it is not unreasonable to expect the supplier to make a contribution.

Similarly, the adoption and merchandising of new products for which there is a very high failure rate carries with it substantial direct and opportunity costs which, it can be argued, should be borne directly by the manufacturer of a new product rather than indirectly by the public through higher prices for other items sold in the store. Discounts for

prompt payment and for various types of services—as, for example, in-warehouse rather than store-door delivery—have a clear economic justification and are common to almost all types of commercial enterprise and are quite legal.

Moreover, the very aggressive competition characteristics of food retailing in Ontario ensures that discounts and allowances are fully and directly—indirectly in the case of promotional allowances—at the retail—

Mr. Vice-Chairman: If I may I would like to ask for a consensus of opinion. As the committee has had the brief ahead of time, I imagine most of the members have read it. Reading the brief would maybe waste time to some extent, when some people would like the opportunity to ask questions. Would it be agreeable to the committee to forget about reading the brief and to start with the question period?

Mr. McKichan: I would be happy to dispense with the reading of the brief.

Mr. Eaton: Maybe some of the audience would like to hear.

Mr. Vice-Chairman: All I am saying is that for a substitute, you put me in a nice spot. I can't make time when the time is not available, so I am going by the consensus of opinion; it's not what my party wants, but the consensus of what this committee wants. If the consensus of this committee is to dispense with the brief, I will accept the committee's report; that is what I am here for.

Agreed? All right.

Mr. McKichan: Mr. Chairman, may I add just a few comments which are not in the brief but touch on some of the evidence—

Mr. Vice-Chairman: Then they can ask you the questions; I think this is what we ought to do.

Mr. McKichan: You've heard evidence from the previous witness on the unsatisfactory nature of the Robinson-Patman Act; we thoroughly subscribe to that. You have in your hands, I think, a rather good description of some of its weaknesses, and I refer you to that.

Second, we do think that there is a whole range of changes in government policy, much of it, I must say, federal policy, but probably some provincial also, which can improve the competitive situation of independent merchants. I should be happy to file with the clerk of the committee a copy of a letter which our association dispatched a few months ago to the federal Minister of State (Small Businesses) embodying a number of these suggestions.

Third, I think it's only realistic to correct the impression that may have been left with the commission that the share of market of the independent sector in the grocery trade in Ontario has been eroding. In fact, that's not the case, as you have heard. Since 1974 the share of that market has increased slightly; our figures are from 27.8 per cent to 28.1 per cent.

Fourth, I believe I should attempt to correct some of the information received on market shares which you got the other evening and, I think, was misconstrued by the witness—I am sure, not wittingly. I'm sure also that Mr. Warnock would wish to see the record corrected.

The figures for national share of market of major corporate chains submitted to you seem to us to be not correct at all. For instance, total sales by food stores last year were of the order of \$14 billion. Dominion Stores' sales, just as an instance, were something over \$2 billion, indicating a 15 per cent share of the national market rather than the figure which you were provided. If it's of interest to the committee, we should be happy to file a more accurate estimate of the actual percentages involved.

Mr. Vice-Chairman: Also the other brief.

Mr. McKichan: Yes sir, I have it with me. So far as urban markets are concerned, the committee will understand that any figures of this kind must be estimates, because none of the companies in the market know what their competitors are doing. Just as an observation, however, it seems to us that the corporate shares of market look unreasonably high. Such estimates are usually prepared as a result of counts of customer traffic in specified stores and it may well be that whole sectors, such as the independent sector, have been omitted from the surveys. That's just a surmise on our point, but we really couldn't understand the figures. No doubt the market house compiling the information would inform the committee on this subject.

[10:15]

As you know, the point at issue before the committee is whether a more extensive judicial or quasi-judicial review of the industry should be initiated. May I say that I was very pleased to hear that you're contemplating hearing from some of the technical people and perhaps the chairman of the BC committee. We ourselves were involved in presenting evidence to that committee, and we certainly concur that if this province can avoid some of the expenditures which have been undertaken in British Columbia, then it's good for us as taxpayers. I think the information

gathered will be informative to the committee.

Lastly, let me just say we don't want to steer you away from a further investigation if that's what you feel is necessary. We suggest that it only takes place if there is evidence of illegal or dishonest practices; if there are consistent practices as opposed to isolated mistaken or inadvertent incidents of purchasers without proper negotiation deducting discounts from suppliers; or if there has been widespread unfair treatment of suppliers, as opposed to unavoidable subjective feelings of such treatment. Unless you find one of these things, we suggest that with the information you will then be armed with, you probably don't need an inquiry.

If there are specific problems remaining, it might well be that consultation among the parties concerned, possibly with the assistance of representatives of the department would be useful. Should there be a role for our organization to play in that situation, we shall be happy to play our part.

Mr. Chairman: The minister, Mr. Nixon, Mr. MacDonald and then Mr. Eaton.

Hon. W. Newman: The Grocery Products Manufacturers of Canada have just made their presentation here. They are saying that the pressures by the chains are too great, yet they're claiming in the same brief that discounts are necessary. I'm really not quite clear in my own mind, as a result of what they have said. They say they are necessary and yet they're too great.

You represent the Retail Council of Canada, of course. Are the competitive pressures building on a daily basis because of competition and trying to get lower prices? Do you think they are too great?

Mr. McKichan: Competition—I'm sure our members would tell you—is certainly not slackening. Whether any competition is even too much competition, I find that a very difficult question to answer. I think the citizens of Ontario are the ones who have benefited most from the intensity of competition. Certainly this city, as you've heard, is probably the second or third most competitive market in North America, probably in the world. The direct beneficiaries of that have been the customers of the stores and indirectly, of course, of the manufacturers and processors in this province.

Hon. W. Newman: Do you feel that the competitive pressures are likely to continue to increase?

Mr. McKichan: With six strong players in the market and innumerable smaller players all anxious for a share of market, I don't see

ny suggestion of competitive pressures diminishing.

Hon. W. Newman: Switching to another subject, with somewhere between 5,000 to 10,000 items listed in some of the large stores today, how important really are new products?

Mr. McKichan: I think any retailer will tell you that he loves to get a new product that is attractive to customers, because then he'll really move it. But you've also heard evidence that there is something like 1,000 new products offered every year. I think in fairness a great many of these products are what are described in the trade as "me too" products. They are not a tremendous novelty, but another flavour or blend or whatever of some existing product. It is very difficult being a buyer in a retail store, because the essence of your job is that you have to choose, and in choosing you disappoint a lot of people. I'm not surprised that, of course, there are often bitter feelings on the part of people who are disappointed, but that's the nature of the business.

Hon. W. Newman: This is a question that's been bothering me for years. When they list new products, are they really new products in many cases or are they just other products packaged differently?

Mr. McKichan: As Speaker Sam Rayburn used to say, I guess where you stand depends on where you sit.

There are not a great deal of revolutionary new products, but there are new variations and innovative ways of doing things. The customers, generally speaking, like innovation. They respond to it. The buyer has to be selective, because you can't stock them all.

Hon. W. Newman: I asked the previous speaker if he would table further information on co-operative advertising. Why has co-operative advertising doubled in the last five years?

Mr. McKichan: First of all, I suggest, because it is a very effective way of advertising. I think that is probably the single most important way of doing it. You will realize that co-operative advertising is usually the only way of that advertising including price in the advertisement. In the grocery area, which is highly price-sensitive, the customer really wants to know about the price. It's very informational for the consumer to get that information. In an area where there is continuing concern about disposable income, and the customer is so intensely price-interested, he is interested in that type of advertising. I am sure many processors and manufacturers have come to that conclusion.

Retailers don't get their co-operative funds in a vacuum; they get it because competitors in the market make it available to them. If one competitor makes it available to him, then their competitors pretty well have to follow suit. I think that's not an unreasonable bird's-eye view of the situation.

Hon. W. Newman: Just one last question: The co-operative advertising figures that we have here are quite striking. I guess you have seen them or heard some of them read off today. Do they have any direct relation to increases in sales?

Mr. McKichan: I would think that's the single most important characteristic of the increase; apart altogether from the cost of media is the fact that they will be accompanied by a corresponding increase of movement through the companies in question. Apart altogether from their increased labour costs for in-store displays and so on, increased productivity would be the single most important criterion.

Mr. Nixon: Following the minister's comments on your answers, sir, the composite increase in the media costs for advertising, according to the information that came from the previous witness, was 67 per cent. But in chain A—Dominion is usually listed first, but chain A—its increase in costs has gone up 194 per cent. What would be the other ingredient in those costs, since the media costs certainly don't account for more than a third of it?

Mr. McKichan: I think it was brought to your attention that the media cost is probably the smallest component of the total promotion package. The largest element is the price reduction element. I suggest to you that the combination of the size of the price reduction and the volume of merchandise moving are the most significant elements.

Secondly, I would suggest that the cost of labour for the in-store work and the other associated costs are next. Then quite far down the line I would insert the media cost.

Mr. Nixon: You mentioned the testimony given by Mr. Warnock yesterday, the president of M. Loeb. Are they part of the retail council?

Mr. McKichan: Actually, they are not. They would be very welcome to join.

Mr. Nixon: Then you might feel freer than usual to disagree with some of his conclusions. One of the strongest ones was that he felt the concentration of the market was having a deleterious effect on the whole industry. Do you agree with that?

Mr. McKichan: I think I told you in my preliminary remarks that we represent retailers of all sizes. I am sure some independents would agree with Mr. Warnock. I think, however, looking at it from the point of view of the consumer, that we are probably at about the optimum competitive situation within this market.

You contrast the retail grocery market with, say, the house-building market, where you have hundreds of competitors. You don't get a very efficient competitive situation in that market. You didn't have a very competitive situation when the retail market was fragmented into a great many small players. Each one had a tiny monopoly, in effect. When you have some big players who are themselves skilled marketers, each competing strongly with one another, you probably have about the optimum competitive situation you can envisage.

Mr. Nixon: Time is of the essence, but wouldn't you say M. Loeb probably expresses the concerns of the independent group as effectively as any?

When they see their share of the market contracting so dramatically—probably to them and, in fact, to me, frighteningly—he feels he would have to express that concern, and point out what is happening in western Canada where the concentration has ended with one company. It doesn't look like that is going to happen here, but it is getting fairly common.

Mr. McKichan: I would also remind you, Mr. Nixon, if I may, that the immediately succeeding witness, Mr. Ray Wolfe, who runs a completely parallel type of operation to Mr. Warnock's within the same province, took a diametrically opposed position and justified his remarks by alluding to the fact that the situation of independence had not only stabilized but had actually improved in the last four years. I must give weight to Mr. Wolfe's opinion as well.

Mr. Nixon: The last point I want to raise—and I don't blame you for this, I think there is a lot of truth in it—is that you object to the term "kick-back." I don't blame you for that, because there are connotations of bribery and under-the counter stuff and so on, but actually the term that is used is usually "discount."

You referred to it as a completely desirable feature of the food distribution industry. If that is the case, what persuaded at least two of your major components to withdraw their two per cent discount policy when it became a subject of public concern?

Mr. McKichan: I think, and I don't want to take up the committee's time, evidence was given on that by the witness from the Loblaw company, indicating they withdrew it as a result of discussions with the department.

Dominion Stores indicated they withdrew it because they were then the only company left taking the discount. They felt they had a legal difficulty and withdrew it for that reason. But I am not privy to either decision.

Mr. Nixon: But you still feel the concept and the practice is completely desirable?

Mr. McKichan: I say that because practices of that nature are commonplace and a rule in practically every business known to man. I am sure even consumers are used to buying product in bulk and thereby gaining a price advantage, and that seems to me to make abundant economic sense.

Mr. Vice-Chairman: It is close to 10:30 and this group has been heard for 20 minutes. Would it be agreeable to members of this committee to extend this to 10:55 with five minutes overtime, as we gave everybody else, and to adjourn at 11 o'clock sharp?

Agreed to.

Mr. MacDonald: Mr. McKichan, I am very interested in your testimony because you are at the retail end, and it is all retailers.

Can you give me a breakdown of your membership? For example, your president at the moment happens to be the biggest retailer in Canada. What is the breakdown in categories and to what extent are smaller independents in your organization and their views represented?

Mr. McKichan: We have three categories of members, Mr. McDonald: In our direct membership category we represent something over 60 per cent in retail volume of business done in Canada.

We have most of the larger and medium size companies in all specialties. We have quite a good cross-section of independents, basically in the clothing, gift, and furniture trades where there is no individual specialist association.

We then have the category of affiliate members who are the specialist associations, such as the Canadian Jewellers' Association and the Canadian Shoe Retailers and other sectoral associations like that. These represent, again, companies of all sizes, but the preponderance of their members are small members and we have an associate category which comprises firms servicing the trade but not in a supply sense; that is to say, suppliers of equipment and services.

Among all our categories we believe we represent close to 70 per cent of the total retail volume.

Mr. MacDonald: Since our interest is exclusively, for the moment, in the food industry, to what extent would the Retail Council of Canada represent the small corner grocery?

Mr. McKichan: We represent many of those who have an affiliate organization—through, for instance, the IGA organization, or one of the franchised chains. We don't have any representatives in the independent category who are direct members. There is a specialist association of Ontario independent grocers, but they carry on their own business and while we liaise with them on many matters of common interest they are not within our membership.

Mr. MacDonald: So apart from the independents who are in a chain like the IGA they are not represented?

Mr. McKichan: No, not in the food section.

Mr. MacDonald: That brings me back to the point that I just want to pursue a bit.

You state, for example, on page seven—this is beginning to be a broken record with me, but forgive me—that the value of the discounts is proportional to the quantity of the commodity bought.

Mr. McKichan: Yes, sir.

Mr. MacDonald: And you concede on page 15 that the above is not meant to discount the fact that the individual operators may not covet the volume discounts available to the very large retailer. But then you tend to dismiss that because you claim that the small independents are getting as large a proportion of the business, so they are not being squeezed out.

But if you have a corner store, or a small retailer, like the one I cited a few moments ago, who says on many occasions he finds that the wholesale price he has to pay is higher than the retail price that the supermarket down the street is charging because all of the allowances, discounts, rebates, et cetera, has been able to get, how can you deem that to be fair competition?

Mr. McKichan: In a price-sensitive commodity—and I can't think of a more price-sensitive commodity than food—it seems to me that most of the independent retailers realized quite a long time ago that to get some of the advantages of scale they had to belong to buying groups. And in fact, most of the progressive and ambitious ones, have done just that.

I think you heard evidence already that in fact, the position of an independent operator who is a member of a buying group can be a very favourable one. He does get economies of scale through the buying group and he can combine with that, the initiative and entrepreneurial abilities that only an independent retailer can bring to his business, it being an intensely people business. The efforts and the personality of an enthusiastic owner can allow him to service his customers certainly as well as and perhaps better than a large corporation. And I think you'll find that, as others of the witnesses have told you, there are a great many highly satisfied and very successful independent retailers in affiliated chains throughout this province.

Mr. MacDonald: Yes, but you're always talking about affiliated chains. I grant you that that represents the greatest volume, but that volume, if you take into account the number of retailers in the 28 per cent you say are not among the chains, that would be a very great number and they will not get the value of these discounts. The big are getting bigger and the small are being squeezed more and more.

Mr. McKichan: I think if you were in the grocery business and you're not offering something special such as location or unusual hours of shopping or unusual product then you would really have to think very hard as to whether or not you shouldn't become a member of some affiliate organization. And this is not simply confined to the food trade. You'll find it in every other non-fashion commodity—and that's basically every price-sensitive commodity—whether it's hardware or drugs or anything else. That is, a very high percentage of independent retailers have got together, either in their own organizations or associated with a wholesaler, to form buying groups. That's where they get their advantages of scale.

Mr. MacDonald: But in effect, what you're saying is that the majority of food retailers in this province who don't happen to be in chains—the majority in numbers if not in volume—you're in effect saying to them you're going to be squeezed out because the big are getting bigger—

Mr. McKichan: No, I didn't say that. I said you couldn't expect to survive and be price competitive. You had to be competitive in some other way. There's an opportunity for that sort of thing.

Mr. MacDonald: Are you disturbed at all by the fact that in food retailing in Canada the big chains have approximately 70 per

cent of the market whereas, for example, in the United States, they've only 35 per cent?

Mr. McKichan: I don't dispute your figures, but I haven't got an up-to-date report on that. I think the two markets are not readily identifiable in a sense that, first of all, America is a series of regional markets and there are not very many large national chains.

Second, it's a case of geography. The highest concentrations of businesses, we point out in our submission, are in the relatively isolated cities which require local warehousing. It requires a certain number of stores operating out of a warehouse to get a really efficient operation. In a city like Regina, for instance, there isn't room for 10 chains. The maximum number of chains that you may be efficiently able to run is four, or three, or whatever it is. Quite a high proportion of our markets in Canada are of that type, whereas in the United States there are many regions which can sustain regional chains. I really think we're looking partially at geography as well as partially at history.

Mr. MacDonald: I won't pursue that. I was interested in your contention that the—

Mr. A. Smith: Could I add something here, Mr. MacDonald? First of all, I'd like to go back and pick up on your question about the independent store. Most wholesalers, if not all wholesalers, serve their independent stores on a cost-plus arrangement. In other words, they sell at the manufacturer's delivered cost to the warehouse, plus an upcharge that's been talked about. It depends on the size of business you do, the size of orders you place, but in my experience, I've seen them run as low as cost plus two per cent or up to maybe five per cent, depending upon the size of the volume of business that independent does. In effect, the wholesaler is buying on the same basis as the chains and is able to pass on the manufacturer's wholesale price to the independent with a cost-plus factor.

I might add in the same comparison that many chain stores cost-account their operations in the same way. They charge their own chain stores on a cost-plus basis; so there is a comparison. But the point I'm making is that the independent survives today not because he gets direct store deliveries from the manufacturers. That is very impractical; he just can't do it today. He thrives on the good wholesale support. Whether he goes franchise, IGA, Red and White, Lucky Dollar, Much More, or stays with his own banner, it's immaterial; he gets the advantage of the wholesaler's buying.

Mr. MacDonald: What would your reaction be to the situation this past week where a small grocer for the first time gets from National Grocers an indication that he's entitled to rebates or discounts that he has never had before?

Mr. A. Smith: Perhaps he's reached a volume, through better merchandising, that he's able to earn some of these. I don't know what the particular case is.

Interjection.

Mr. A. Smith: I don't know what the answer would be, but normally that—

Mr. Vice-Chairman: The chair would appreciate it if one person would ask the questions.

Mr. MacDonald: Just one final question: Mr. McKichan, you were contending that Toronto is perhaps the most competitive market in the world—

Mr. McKichan: I said the third most competitive.

Mr. MacDonald: Third? If that is the case, what is the explanation for the fact that on as important a product as milk, both the Food Prices Review Board and—I think I'm correct—the study that was done in the province of Ontario both indicated that in Toronto the milk prices were excessively high?

Mr. McKichan: Mr. Smith is our milk expert.

Mr. A. Smith: I don't have those figures with me, Mr. MacDonald, but, as I recall them, the price of milk to the Toronto consumer was the lowest in Canada, next to the city of Montreal. The point was raised by Mrs. Plumptre, as I remember it, that the margin in the sale of milk was higher in Toronto and in some of the other provinces but by no means all. The answer that was given to that fact was that in this market, because of the tremendous volume in store deliveries where large truckloads of milk are delivered direct to big store operations, the rebates that have been referred to most openly by Mr. Nichol and others, because of earned efficiency and big deliveries, created a larger margin. But it didn't necessarily mean the price was any higher. In fact, as I said, in the whole survey the price in Toronto, with the exception of Montreal, I believe, was the lowest in Canada.

Mr. MacDonald: Well that doesn't square with the figures I recall.

Mr. Smith: Yes, well they have been documented, sir, and I'd be very glad to get those to you.

Mr. MacDonald: Oh, I could have had them available too, if I had known we were going to raise this tonight.

Mr. McKichan: Mr. Chairman, I had some advice from our director of research, if I may respond to one of your previous questions. He informs me the supermarket chains in the US have as large a market share as they do in Canada, the only difference is there are more chains in the US so the 10 largest chains in Canada have a larger market share than the 10 largest in the US. That may have been the figure that you were referring to.

Mr. MacDonald: An added reason why we've got to have a basic study of the food industry is to find out what the facts are, and reconcile conflicting if not contradictory evidence we get in succeeding days.

Mr. McKichan: We hope we can clear the air somewhat, Mr. Chairman.

Mr. MacDonald: Thank you, Mr. Chairman.

Mr. Vice-Chairman: Mr. McGuigan.

Mr. McGuigan: Thank you Mr.—is it MacEachen?

Mr. McKichan: McKichan.

Mr. McGuigan: McKichan.

Mr. McKichan: Thanks for the promotion.

Mr. McGuigan: We fellows with these Mc names suffer a lot of indignity for our names.

Mr. McKichan: Yes indeed.

Mr. McGuigan: Mr. McKichan, I might explain I've been in the back rooms and front offices of chain stores for most of my life as a supplier to chain stores, so I'm familiar with at least what I can observe of the situation. I would agree with you there's no intended illegality in the operation of the chain stores.

Mr. McKichan: Glad to have that confirmation, sir.

Mr. McGuigan: Well, there was one case, 10 years ago it might have been, but that was dealt with I think, of course, there's no intended illegality in the chain stores. The mere fact we have the so-called "profit centres" as Loblaw's spoke about, and I know Loblaw's can't talk, sets up a system of fantastic pressure. The mere fact that we have these centres where they want a visible place to put this money, serving them in the way of a brokerage—it is not legal in the United States, as I've indicated, and was recommended to be not legal in Canada—sets up a system of fantastic pressure on the part of the store buyer, who in turn, uses that on producers or suppliers. There's just a fantastic pressure there.

How can the people on the board of directors, who I'm sure don't want anything illegal, be really sure these people aren't being pretty vicious sometimes? The system kind of mystifies me. I wonder why it happens.

I wasn't satisfied with a lot of the explanations given the other day. As a farmer to another farmer, if I can involve the minister, they spoke of eggs being 86 cents a dozen, and then dropping the price to 85 cents and then sending that cent off to Intersave as a saving. But we know the price has to be offered to all people, so really, in my view as a producer and a farmer and thinking in farmer ways as I do, I would say the price of eggs dropped a cent that day. The price of eggs wasn't 86 cents that day, it was 85 cents. I didn't save a penny. If I went out on the market tomorrow to buy corn, and I went into Richardson's and tomorrow morning corn was \$2.78 a bushel; probably that's off the mark, but suppose it's \$2.78 a bushel; and I wait until 11 when it's \$2.76, then I'd buy that for \$2.76. I'd say to myself, "Well, I saved two cents because that \$2.76 was available to all other people." Some of these things mystify me.

What I want to get from you is: Wouldn't the chain stores as a group be just as happy to have this system eliminated and kind of step back a bit in time, as a former witness has suggested maybe they should do? They should step back a bit, or go to make their profits on merchandising rather than at the head office. Wouldn't you, as a group, think that perhaps maybe you should go that way?

[10:45]

Mr. McKichan: I'll try and answer your question in two parts, if I may, Mr. McGuigan. First of all, on the question of whether in the event there are discounts, whether they go in directly to the same destination where there is a corporate entity or person or accounting ledger as the person who negotiated the original deal is concerned or whether they go to a temporary third-party home and then are transferred back to the original company or account, it seems to me—and I know Mr. Nichol made the point with great persistence and to some extent eloquence—it really is immaterial in the total equation. As Mr. Nichol explained it was purely an accounting practice within his own company to focus the attention of certain of his people on the importance of buying best.

It seems to me that is not really the point, because whatever is income in that source, to the extent that it is not immediately ap-

plied on promotional activities or price reductions, it is treated exactly the same way as any other element of gross margin. It is there either to be utilized in expenses of the store or to be utilized in price reductions. If it is used in neither, it comes out at the end of the day as the one per cent on sales.

Mr. McGuigan: Let me interrupt, Mr. McKichan. I agree with net net. That is a new term. Whether it was harder to see through double net than single net, I am not so sure. It depends what the net is being used for. I agree it is the bottom line that counts. Why do I have to get involved in this thing as a third party? They say this is internal bookkeeping.

Mr. McKichan: I think Mr. Nichol's evidence was that if he had known it was going to create all that fuss, he would never have embarked on it. I don't want to put words in his mouth, but probably he wishes as a corporate policy he hadn't created all that furore by going through an additional accounting step. I think a great deal of suspicion could have been avoided if that had occurred.

Mr. McGuigan: This is so true. I have been in the old St. Lawrence Market in Toronto. I am telling you how old I am. I have been in the food terminal. I have been in the Detroit market. I have been in markets all over the world, but I have sold on these markets, and sometimes at distress prices. You get down to the point eventually where you knock off your profit and knock off your production costs. The bottom line is how much it is going to cost me to haul this back home. Is it cheaper to sell it to the fellow or for me to haul it home? That is the bottom line.

That is not ridiculous. I have seen bills which people were sent when they shipped a load on commission where they ended up with a bill to send that product to the dump.

When you get down to the bottom line I have been nailed to the wall. I have been screwed to the wall. I have been everything. I have always said that is fair game. I agreed to it. We agreed on a price. I had no alternative. I sold it for that price. If anybody then sends me a cheque and if it has got a mill off it, I am really enraged, because I have talked as man to man with him, and we agreed upon a price. If it was a very good price, or whatever it was, in my simple farmer way of dealing I thought that was fair game. I would just hope that the retailers would agree that they would be as far ahead and we would all be as far ahead if that bookkeeping was done internally.

Mr. McKichan: I am sure your remarks will be noted by the individuals concerned, Mr. McGuigan.

Mr. Wildman: I just have a couple of short questions. I was intrigued by a rather interesting economic concept you gave in one of your answers in that you seemed to say that when there were a lot of independents operating they had a number of small monopolies—I think that was the term you used—and when those independents have been amalgamated, whether because of less market share or getting into things like franchising and so on, so that you have the business now concentrated much more among a small number of large firms, then you somehow now have more competition. In other words, what you seem to be saying—I hope I misread you or maybe I didn't—is that when you have a lot of small firms operating you have a lot of small monopolies, but when you have a few big firms operating, then you have a lot of competition.

Mr. McKichan: I was referring back to a historical time when, if you operated a small store, the customers in your immediate neighbourhood were captive to your store because the means of locomotion to another area just didn't exist or else it was expensive to go around. I was contrasting that situation with the current situation where we have a mobile consumer who has lots of opportunity for shopping around.

Then I was making another analogy. I was contrasting the relatively concentrated market we see in the food industry in most cities in Canada where there are a few relatively strong players, a great many intermediate players and some small players with the situation existing in an industry such as house building—although there are now some big players in that—but say house building of 30 years ago when there were lots of small players but there was very little competition in price among them. I suggest that as consumers we're much better off with some strong players in the market who really can provide efficiency and take each other on. And that's a classical economic thesis.

Mr. Wildman: So you are not so much concerned with the size, per se, but rather with the number of large ones.

Mr. McKichan: No, it's a function of both size and number. You need a sufficient number to have competition, but you also need sufficient size to get economies of scale.

Mr. Wildman: In order to have the size, then you cut the number.

Mr. McKichan: Well, the market does that.

Mr. A. Smith: Could I add a point, sir? Talking about the independent chain stores' share of markets, it's interesting to note from the Statistics Canada survey on retail food stores that in 1950 there were 39 chain stores and in 1976 there were 78 chain stores. That means companies. And that indicates that some of those independents have moved into the chain category. I don't think that's realized by too many people. When you say chains have 59 per cent of the total Canadian food sales, you can see there has been a shift from successful independents to chains. A chain is categorized, I believe, in Statistics Canada, as four stores or more. There are many chains in the country which have four, five, six, seven or nine stores.

Mr. Wildman: In relation to that, it is far more interesting, I think, rather than looking purely at the numbers of chains to look at the ownership of chains. With the numbers of conglomerates operating especially with the Weston group and so on, a number of those chains may be owned by the same people, so that's not necessarily saying that there is less concentration.

The other question I had related to something you said in passing—that in that you represent retailers in a number of fields you felt that this was a common practice, whether it be volume discounts or co-operative advertising and so on, especially in certain sectors of the retail business in Canada—in hardware and in a number of other types of business. Is that what you're saying—that really this is widespread across a large number of sectors?

Mr. McKichan: I think the point you were specifically alluding to was when I said co-operative buying practices by independents who get together, either under their own organization or under the wing of a wholesaler is common in most commodities. But I'd also go on to say that of course volume discounts and advertising allowances and so on are also common in a great many commodities, not simply in food.

Mr. Wildman: Fine. Thank you, Mr. Chairman.

Mr. Vice-Chairman: This concludes the debate.

Hon. W. Newman: Mr. Chairman, I think there is one thing the committee has to settle. I'd like to ask for some information. Mr.

McKichan, just out of curiosity, could you give to our legal counsel information on who owns M. Loeb? Is it Provigo?

Mr. McKichan: Yes. It was recently acquired by Provigo.

Hon. W. Newman: Who owns Provigo?

Mr. A. Smith: It's a Quebec-based corporation; a public company.

Hon. W. Newman: Public company?

Mr. A. Smith: It has headquarters in Montreal and it recently bought out the Loeb company in Ottawa.

Hon. W. Newman: One thing we have to settle on, Mr. Chairman, is our schedule for Tuesday. We're going back to estimates, I assume.

Mr. Vice-Chairman: I think that's a problem for the chair.

Hon. W. Newman: I'm sorry. Go ahead.

Mr. Vice-Chairman: If I'm not intervening, I'm nothing. I'm not here to be a yes man.

This concludes the debate on the annual report of the Ministry of Agriculture and Food for 1977. The committee will resume with the ministry estimates at 8 p.m. next Tuesday.

Mr. MacDonald: As a matter of fact, you're not accurate. We have one more session, after we have reverted to the estimates, to hear the marketing board and the food council because it is relevant for this committee's hearing. That one more session is on Wednesday.

Mr. Vice-Chairman: The minister mentioned before that he would like the estimates brought in Tuesday.

Mr. MacDonald: That's right, so that we can hear two internal bodies, but on Wednesday we return to this inquiry. It is not concluded.

Hon. W. Newman: May I be permitted, Mr. Chairman?

Mr. Vice-Chairman: We've got enough yes men here anyway.

Hon. W. Newman: It's my understanding that we would go to estimates on Tuesday night and go back to the inquiry on Wednesday morning.

Mr. Vice-Chairman: Is that satisfactory? All right. The meeting is adjourned.

The committee adjourned at 10:56 p.m.

SPEAKERS IN THIS ISSUE

Eaton, R. G. (Middlesex PC)
Gregory, M. E. C. (Mississauga East PC)
Hennessy, M.; Vice-Chairman (Fort William PC)
Hodgson, W. (York North PC)
MacDonald, D. C. (York South NDP)
McGuigan, J. (Kent-Elgin L)
McNeil, R. K. (Elgin PC)
Newman, Hon. W.; Minister of Agriculture and Food (Durham-York PC)
Nixon, R. F. (Brant-Oxford-Norfolk L)
Peterson, D. (London Centre L)
Wildman, B. (Algoma NDP)

Witnesses:

Daniel, H. J., Counsel for the Greenhouse Vegetable Producers' Marketing Board
Epp, H. A., Chairman, Greenhouse Vegetable Producers' Marketing Board
McKichan, A., President, Retail Council of Canada
Morley, D., President, Grocery Products Manufacturers of Canada
Rowley, J. W., Counsel for The Grocery Products Manufacturers of Canada
Smith, A., Vice-President, Retail Council of Canada



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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Agriculture and Food



Second Session, 31st Parliament

Tuesday, June 13, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, JUNE 13, 1978

The committee met at 8:06 p.m.

ESTIMATES, MINISTRY OF AGRICULTURE AND FOOD

(continued)

On vote 1804, agricultural marketing program; item 2, marketing:

Mr. Vice-Chairman: We will commence the meeting. The food council and marketing board, please.

Hon. W. Newman: May I suggest that Dr. George Collin of the Ontario Farm Products Marketing Board be called first, if there are no objections.

Mr. Vice-Chairman: Okay.

Hon. W. Newman: Mr. Chairman, is it your wish to swear them?

Mr. Vice-Chairman: Yes. I think the members of the committee would rather have the gentlemen sworn in.

Here's Eddie now. Somebody stole the Bible. The Liberals stole the Bible.

Mr. Nixon: We don't have to swear these guys.

Hon. W. Newman: It doesn't matter to me.

Mr. Chairman: We don't have to swear you in. You're with the ministry.

Does the minister have any opening remarks?

Hon. W. Newman: No, the only question I would have is on procedure. I'd like to ask you a question. I understand you want to hear from the farm products marketing board chairman and from the chairman of the Ontario Food Council, and if there was any time left we would go back to estimates. My only concern is if we're going back to estimates—if we can go far enough back in our memories—at the opening of these estimates there were two lead-in speakers, the two agricultural critics. At that time I had no chance to respond to the comments of either one and I feel that in fairness to—

Mr. MacDonald: I would move that if we have any time left tonight we give it to the minister to respond to us.

Mr. Chairman: Thank you very much, Mr. MacDonald.

An hon. member: Carried.

Mr. Chairman: That was very quick.

Very well, are there any questions of the chairman of the farm products marketing board?

Hon. W. Newman: May I make a comment? I understand the chairman of the farm products marketing board wishes to make a statement. I believe he has copies here, if that's your wish.

Mr. Chairman: Very well, sir. Does everyone have a copy of Dr. Collin's opening remarks? Please go ahead, Dr. Collin.

Dr. Collin: Thank you, Mr. Chairman. I do have a few remarks that I would offer to this committee. I'll try to keep my remarks very brief, as I realize your committee is concerned with merchandising rather than particularly with marketing.

The farm products marketing board is responsible for the administration of the Farm Products Marketing Act. The act provides for the control and regulation in any or all respects of marketing within Ontario of farm products. The board supervises 21 marketing plans covering some 43 commodities regulated under the act.

Several of the authorities of the Farm Products Marketing Act are delegated to these producer boards; for example, to issue licences and collect licence fees, to allocate quotas, to require the commodity to be sold through the board, to negotiate on behalf of producers and, probably of most concern to your committee, to establish prices for farm products.

I draw your attention to the fact that some members of your committee have asked for information of the number of complaints recorded for the sale of products at less than regulated board price. I will compile the recent complaints and note for you how the various boards monitor payments to producers and how the boards deal with contraventions. For easy reference we combine the 21 commodity boards into four convenient groupings: auction, the poultry, the cereal and the horticultural boards.

The auction boards include the pork, flue-cured tobacco and burley tobacco boards. These boards do not establish the price but require producers to sell at the board auction.

This year they auctioned total sales of \$439 million for some 19,000 producers.
[8:15]

The poultry boards include the Ontario egg, chicken and turkey producers' marketing boards. You will recall that on May 31, Mr. Jim Johnstone, chairman of the egg board, assured this hearing that since the board started in 1972, to quote him: "We have not received any complaint from any producer that they have received less than the established price set by the Ontario Egg Producers Marketing Board." You may recall too that on June 7 Stanley Howe, vice-chairman of the Chicken Producers' Marketing Board, explained to this hearing that in only one case was it necessary to prosecute a processor for failing to pay the current price. The question in this prosecution was whether the processor should pay the higher price for heavy birds when delivery to the processing plant was delayed due to a marketing condition. There was absolutely no suggestion of impropriety by the packer or by the grower.

Pricing and monitoring of direct sales by the turkey board is very similar to the procedures described for your committee by the chicken board. The turkey board reports that they have had no contraventions of the established board price. For reference, I would note that the poultry boards—the three boards mentioned—established price for 1,800 producers who marketed \$233 million of product in the last year.

The third grouping is the grain boards that serve some 32,000 producers for sales of \$176 million. The bean and wheat boards are agencies and so direct sales. These boards provide initial payments and make direct and subsequent payment to producers from the crop pools. The soya-bean board does not determine price but provides market information and negotiates the service charges on behalf of producers. The seed corn board negotiates price and condition for sale on behalf of its producers and has reported no payment problems.

There are 11 commodity boards that market the relatively perishable horticultural crops. The apple commission is unique in that it establishes a wholesale price. All other boards establish producer price by negotiation with processors or by pricing order of the board.

You will recall that Mr. Long, chairman of the apple commission, gave evidence to this committee that the apple commission has permitted for some time the deduction of a so-called service charge from the price of apples set by the commission. May I note that Mr. Newman has asked the farm products mar-

keting board to determine if the apple commission has knowingly permitted violation of its own pricing orders. A meeting of the farm products marketing board and the apple commission has been scheduled.

In maintaining producer price the fresh fruit board conducted audits of the records of two dealers in 1974 and again in 1976 as a result of complaints of short payments from producers. Subsequent letters and visits to producers ensured that full payment was received. A fifth audit on another company's records was made in 1976 in order to collect service charges owed to the board. Two additional audits in 1975 and 1976 failed to substantiate suspected irregularities regarding growing payments.

The fresh fruit board reports that it receives several complaints each year regarding growers selling below board price when the Toronto market has been depressed. Where the board suspects a grower is selling below the price, the grower is informed of the board's regulation and is asked by the board to comply.

Mr. Henry Epp, chairman of the Green-House Vegetable Producers' Marketing Board explained to this committee on Thursday night that the board used volume discounts to market peaks of production in May and June of 1977. He explained that the use of co-operative advertising by the board had more than doubled sales. For example, from 30,000 baskets of tomatoes in 1976 to 66,000 in a comparable period in 1977.

One shipper of the board in Leamington complained to the farm products marketing board in July 1977 of unequal payments for product from the shipper pools because of this selective discounting. As a result of many meetings with the farm products board and as a result of grower meetings in Leamington the greenhouse board agreed not to use volume discounting to market the 1978 crops. A method of guaranteed board price was developed and effectively used for the 1978 spring crop to organize volume features for the chain stores. A court hearing has been scheduled for June concerning the complaint of the 52 producers about the payment from the shipper pools.

The tender fruit board requires that all processing companies purchasing regulated product forward a copy of a grower statement of deliveries and the payment cheque to the board office. If necessary, errors can be corrected before the cheque is forwarded to the grower. In 1972 and 1974, four contraventions of regulated prices were reported and the board collected on behalf of the producers. This system has virtually eliminated

complaints regarding payment. The Grape Growers' Marketing Board uses a very similar system to monitor payment to producers and the manager confirms that there have been no complaints from growers for payment by wineries of less than the board price.

There have been no complaints regarding sale of grapes below the board price of the Fresh Grape Marketing Board. Most sales of market grapes are through the central sales agency. Direct sales to consumers and sales of bushel baskets are exempt from board regulation.

The Potato Growers' Marketing Board also requires that 11 processors forward a copy of the growers' statement of delivery and the payment to the board office. In February 1978 the potato board requested a hearing before the Ontario Farm Products Marketing Board for 23 growers to demand payment in arrears for potatoes delivered before the end of October. Payment was obtained from the processor for these producers.

The vegetable board, according to the recollection of a past chairman, always had one or two problems of bootlegging each year way back in the mid '60s. A director of the board would follow up the complaint, talk to the processors and put a stop to the practice.

A recent problem of payment for vegetables at less than board price was in 1976 and 1977. The processor was not licensed by the farm products marketing board to process in 1977. This denial resulted in a Supreme Court action and passage of Bill 102 to amend the Farm Products Marketing Act. This processor qualified for a licence to process vegetables to be delivered under board contract in 1978.

Lawyers are at this time suing a canner on behalf of three growers for non-payment for tomatoes delivered in 1976. This canner did not contract for delivery of tomatoes in 1977.

Complaints were made that two processors did not pay producers for product, according to the negotiated agreement for delivery of 1977 tomatoes. Hearings took place before the vegetable board, and with assurance that management would abide by the terms and conditions of the 1978 agreement, the vegetable board withdrew its objection for licensing of these processors.

Mr. Chairman, in summary I offer my observations to the committee that the 21 commodity boards under the Farm Products Marketing Act generally have effective procedures to monitor the payment of the board price and also to receive complaints from producers. The record of recent complaints

illustrates that the authority of horticultural boards is most often tested. In the past three years, 13 formal complaints of irregularities in payment of the regulated price were recorded. Some of these complaints and many misunderstandings and disputes were settled by inspectors and officers of the boards.

My record shows that six audits of shipper-dealer accounts were conducted to substantiate irregularities in payment. Four hearings were conducted before the farm products marketing board or before the local boards. Five court hearings were initiated and except for the actions that have not been completed, the regulated board price has been obtained for the producers.

May I, for reference, point out to the committee that this record of complaints should be compared to the sale by the 21 marketing boards of \$980 million of farm products last year for approximately 69,000 producers?

Mr. Chairman, I would offer to try to answer any questions of the committee.

Mr. S. Smith: Dr. Collin, there are just a few things I would appreciate some clarification about. One of them is this matter that you refer to with regard to the chairman of the Greenhouse Vegetable Producers' Marketing Board and his explanation about volume discounts and so on. You say there's one shipper of the board in Leamington—I take it that's the Sun Parlour co-op you're speaking of—and that there is a complaint about unequal payments for a product. That's the matter that's presently in front of the court, is that correct, sir?

Dr. Collin: That's right.

Mr. S. Smith: I realize that if it's in the court it may be difficult to discuss it in any detail, and I wouldn't want you to say anything that might prejudice the case, of course. But can you explain why it's in front of a court? Does your board not have jurisdiction over these matters?

Dr. Collin: Mr. Smith, I would explain that the complaint came before the farm products marketing board in the last week of June, in 1977. Subsequent to that there were a number of meetings before that board. The problem was discussed and we proceeded to the point in September where the greenhouse marketing board was on record as being most anxious to settle the dispute.

Towards the latter part of September, the greenhouse board prepared to rebate to greenhouse producers the surplus funds of Garden Acres, which is the accounting arm of the greenhouse marketing board in dis-

strict one. There was concern among the 52 producers who are primarily producers or growers for the Sun Parlour co-op that the funds would be rebated and the surplus would not be available for any settlement. Of course, Sun Parlour growers, the 52 producers, were claiming and asking for the minimum board price.

The Sun Parlour group obtained an injunction on the distribution of the surplus funds, and the injunction in effect put it into a court proceeding.

Mr. S. Smith: I see; it was the injunction that got it into the courts.

Can you tell us something of what's meant by unequal payments for product from the shipper pools because of selective discounting? I must confess I'm having a little difficulty understanding that, possibly because I lack a background in that area. Perhaps you could explain that to me, if you wouldn't mind, sir.

Dr. Collin: I think Mr. Epp in his testimony explained that the accounting system and the payment system to producers from Garden Acres is done by so-called shipper pools. There are approximately six or seven of these shipper pools, whereby the return for a shipper is collected and divided among the producers delivering to that shipper.

[8:30]

The Sun Parlour co-op was concerned that it did not have fair treatment in the selective discounting arranged by the marketing board. This was their particular concern: that they did not get an average price that was close to the average for district one. Moreover, I think you may recall from the testimony that Sun Parlour is a very large volume shipper of greenhouse tomatoes. When there are problems that need to be solved in those times by volume discounts, sometimes the larger shippers would be at some disadvantage, because they simply had a very large volume of product to move at the peak production times.

Basically, the argument was: "Give us one pool for the district, and then there'll be no differences on selective discounts." This, of course, was the argument.

Mr. S. Smith: So the argument was really between all the different producers, in a sense, rather than otherwise.

Dr. Collin: Exactly.

Mr. S. Smith: You say that in 1978 you used a different method; you agreed not to use volume discounting to market the 1978 crops. Can you explain that?

Dr. Collin: It wasn't our agreement; it was the agreement of the greenhouse board. It was an agreement reached before producers' meetings back in December 1977. The agreement to the producers at the meetings was that there would not be a two-price system used. Many ways were tried to meet the need to move very large volumes of product during peak production. Finally, they settled on the organization of volume, a guaranteed volume feature, whereby the guarantee would be given to the retailer that the board price, when arranged, say, on Tuesday for delivery the following Thursday, would be in effect for a period of, say, 10, 11 or 12 days.

You may recall that Mr. Epp pointed out that the greenhouse board by practice sets the board price on Wednesday, and many of these features would be made up maybe on Monday or Tuesday for the following Thursday, Friday and Saturday sales; in other words, a period of 10 days.

In effect, the board said: "Organize a feature to move a volume of our product the following Tuesday, Thursday and Friday; we guarantee that the price we have set now by board order will hold. Even though the market becomes heated and the price may go up, your price is guaranteed at the present board price."

Mr. S. Smith: Let me see if I understand that correctly. Bear with me if I don't, please. You are suggesting that what was happening was that when you had a high volume being produced at the peak of the season, in the previous year whoever was buying from the producers via the board was in a position, basically, to encourage the board to offer a volume discount. Whereas you are saying that an alternative method was chosen in 1978, a method which said: "We'll guarantee you that we won't raise the price."

I find this difficult to understand. If the burden of this high volume was sufficient to force them to accept or to offer, depending on how it happened, a discount in 1977, surely it would have been a very idle threat indeed to say the price might go up, and it would have been a rather empty offer to say, "We'll keep the price level." How does that make sense?

Dr. Collin: Could I remind you that, as Mr. Epp explained, the board sets its price, taking into account the probable demand for product and the probable shipments on-way in trucks from Mexico and Florida; they know pretty well what the product will be in Montreal and in Toronto, and they know what their production will be about a week

beforehand. By lining up the specials, in 1978 at least, and confirming that the price would hold, so that the advertising could be arranged to promote the product in the store, the guarantee would hold and the arrangement was to organize and emphasize a volume sale of local product rather than using the Florida import.

Of course, it is important that the price be established by the board at a level that would meet the competition from the US product. Now, 1978 obviously was a different year from 1977. The effect of the guaranteed prices worked very nicely and very well in 1978. Whether it would have worked in 1977, with the particular marketing pressures then, is impossible to predict.

Mr. S. Smith: I take it that what you are saying is that the marketing conditions were different in 1978 than in 1977. The producers had a little stronger situation in 1978, whereas in 1977 they found themselves under the pressure that comes from a huge volume and possibly from foreign competition as well.

That being the case, if I understand you correctly, there may come again times when there is quite a large production. Are you saying, basically, that it is your understanding that that particular marketing board is prepared to use the discounting procedure again? They are not?

Dr. Collin: No. The total package that was worked out on December 15 called for many techniques to handle this kind of problem. For example, there was agreement to transfer product between shippers to meet and match the market demand. In other words, it was simply committed that, for example, Sun Parlour, for the 1978 crop, would transfer out on a regular basis 15 to 18 per cent of its tomato product to other shippers who had market demand. That was one feature.

The guaranteed price is just one other part of the total package. But there was a basic agreement between producers and also shippers that volume discounting would not be used, and therefore it was not expected.

Mr. S. Smith: If it was simply a matter of agreement to stop that volume discounting practice, can you explain to us, first of all, why they felt they should stop it? If there was nothing wrong with the practice, why did they stop it? Secondly, if it was that easy, why wasn't it stopped a year earlier?

Dr. Collin: I might point out to you that the Ontario Farm Products Marketing Board called the greenhouse board and Sun Parlour directors into a meeting on July 26, 1977. We reviewed all the problems and complexi-

ties of volume discounting. We reviewed the proposition of co-operative advertising. We reviewed the position of the directors of the board, particularly in district one, that they were committed to their producers to continue shipper pools. Looking at this total picture at that time, at that particular meeting, we expressed concern to the greenhouse board about the mechanics of pricing—which I have covered in transfers—the mechanics of pooling and the mechanics of promotion. We advised them to discuss these problems with their solicitor.

Mr. S. Smith: I take it from what you said that you didn't like very much the discounting practice and some of the co-operative advertising practices, and so on, and that you suggested they discuss these with their solicitor. You also, I guess, were somewhat instrumental in helping them to find a different method—or encouraging them, at the very least, to find a different method for now.

These practices, which you didn't like, when you heard about them in July 1977—was that the first you had heard of those practices?

Dr. Collin: As I explained, our first complaint came when a representation from the co-op visited the board in the last week of June 1977.

Mr. S. Smith: And you had not known of such practices before then?

Dr. Collin: No, I had not.

Mr. S. Smith: May I ask you when you first told the minister about the existence of those practices?

Dr. Collin: I don't exactly recollect, but I believe we gave him a memo on the problem sometime in the month of September. When the injunction was coming into place, our advice to the minister was, "You should know about this situation, sir, because of an injunction and a possible court case."

Mr. S. Smith: I wonder if we would be allowed to see a copy of that memo. I trust there is no reason for it to be confidential. If there is a reason, perhaps you could explain it to us. If not, could we see a copy of that memo?

Hon. W. Newman: It was brought to my attention, of course, by the chairman of the farm products marketing board. Whether it was by memo or by word, I don't know. The chairman of the farm products marketing board has access to my office, like any other senior staff member has. My instructions to him were to try to sort out any problems they might have. I felt it was their responsi-

bility. I said that if we still had problems down the road, I would be prepared to get involved in having a meeting, if necessary.

Mr. S. Smith: Yes, but could I see the memo?

Hon. W. Newman: Sure, as far as I am concerned. I don't know if it was in the form of a memo or whether I was informed verbally, that's all I'm saying.

Mr. S. Smith: I see. But I understand that the chairman may be faulty in his memory. He thinks it is in a form of a memo. If so, could we see it?

Hon. W. Newman: Sure.

Mr. S. Smith: If not, obviously there will be nothing for us to see.

Hon. W. Newman: There's nothing to hide at all.

Mr. S. Smith: I didn't suggest there was. I just asked—

Hon. W. Newman: You are implying it.

Mr. S. Smith: I simply asked, may we see the memo?

Hon. W. Newman: I have already said yes.

Mr. S. Smith: Insensitivity!

Mr. MacDonald: Mr. Chairman, I don't want to interrupt Mr. Smith's questioning, but may I just have some clarification with regard to procedure? We have two witnesses tonight; have we a time limit for the first one and, if so, what is it?

Mr. Chairman: I don't think we discussed in our steering committee meeting this afternoon how we were going to apportion the time.

Mr. MacDonald: Since we have only this period to hear two witnesses—

Mr. Chairman: That is correct.

Mr. MacDonald: —may I suggest that it would be appropriate if we set a time limit of 9 p.m., or 9:15 p.m. at the latest?

Mr. Hennessy: Mr. Chairman, you also promised to let the minister in too.

Mr. Nixon: If time permitted.

Mr. Hennessy: Time will permit if you are dividing it now. You don't cut the cake afterward and say there is no piece left; you have to know what you are cutting.

Mr. MacDonald: We'll hear the minister between 11 and 12 o'clock!

Mr. Chairman: We have two and a half hours of meeting time, and we have already used up approximately 30 minutes. So if we are going two and a half hours, and we have an hour and 15 minutes for each, we

just have approximately another 15 or 20 minutes. So all right.

Mr. Hennessy: Does that include the minister too? Mr. MacDonald, I respect you greatly, but you have made a commitment to some extent, and I think you should keep that commitment. You said "if time permits"; if you don't allocate the time now, you are not permitting it.

Mr. MacDonald: I think the time for the minister was if there was any time left after 10:30 p.m.

Mr. S. Smith: "Time permitting" is kind of—

Mr. Hennessy: I know. I'm like you; you can use words the way you want. I learn from you; that's why I am sitting here.

Mr. S. Smith: I trust this isn't to be charged to me.

Mr. Chairman: Yes, we are charging it to you, Mr. Smith; it is all right. Please go ahead.

Hon. W. Newman: Mr. Chairman, I could solve the whole matter if the two agriculture critics would withdraw all their opening remarks.

Mr. MacDonald: I'm willing to withdraw mine.

Mr. S. Smith: I don't want to take up very much more time. Basically, I think the chairman will understand that these are practices that he disapproved of and that, once he found out about them, he took steps to have not occur again—

Mr. Eaton: You're putting words in his mouth.

Mr. S. Smith: I'm sorry; if he didn't disapprove of them—I don't mean to put words in his mouth, believe me.

Mr. Eaton: You have a habit of doing that.

Mr. Hennessy: He's an expert.

Mr. S. Smith: I'm terribly sorry, Mr. Eaton. I don't wish to trouble you.

Clearly these were practices which it was recommended should cease after 1977. They are practices for which substitutes apparently have been found as a consequence—

Dr. Collin: May I—

Mr. S. Smith: Excuse me. Why don't we allow the chairman to speak again? I heard the chairman say to me, unless I am very badly mistaken—

Mr. Eaton: You are.

Mr. S. Smith: —that these volume discounting practices and these co-operative advertising practices were things which it was suggested a lawyer look at. Furthermore, it

was found that they are not necessary in 1978; other methods have been found instead for moving a big crop. Furthermore, even if they were to find themselves in a tough surplus situation, they won't go back to these practices. Furthermore, he made these practices known to the minister in September 1977, allegedly by memo—at least to the best of his recollection—and that memo will be presented to us, according to the minister. Is there something I have said that is incorrect in that?

Dr. Collin: I think I very definitely said that we had referred the practices to the solicitor of the Greenhouse Vegetable Producers' Marketing Board—

Mr. S. Smith: Correct.

Dr. Collin: —because of the circumstances of the shipper pools and the selective nature of the discounts.

Mr. S. Smith: I understand. And such discounting procedures are not going to be used again, at least as far as it is your intention?

Dr. Collin: That was the greenhouse board's decision on December 15.

Mr. S. Smith: The greenhouse board's decision; that's correct. And the first time the minister heard about that was in September. Okay.

Is the board aware of any discounts offered by American suppliers and, if so, what effect does that have on Ontario?

Dr. Collin: No, I have no information on that.

[8:45]

Mr. S. Smith: We have heard of situations where producers and shippers are told by chain store buyers to increase their invoice prices and to remit discounts from the higher prices. Do you have any jurisdiction over that practice or any comment on it?

Dr. Collin: I have no information or comment on it.

Mr. S. Smith: Have you ever heard of such practices before these hearings began?

Dr. Collin: For the greenhouse board?

Mr. S. Smith: For any board. Have you ever heard of a practice whereby producers or shippers are told by chain stores to increase their price and concomitantly increase the kickback or the discount?

Dr. Collin: Not instructions to boards to increase price.

Mr. S. Smith: No, the words I used were a practice whereby producers or shippers are told by chain stores to do that. Had

you ever heard of those before these hearings? That is what I am asking you.

Dr. Collin: I had indirectly, if you wish second-hand reports of that type of thing.

Mr. S. Smith: Those things had been reported to you indirectly, you say?

Dr. Collin: Very indirectly.

Mr. S. Smith: Very indirectly.

Dr. Collin: Offhand comments.

Mr. S. Smith: Offhand comments. Have you ever passed these comments on to the minister?

Dr. Collin: I would have to say that I don't believe I heard anything about these until about the first week in May when your comments were before the House.

Mr. S. Smith: I see. So that is the first time you ever heard of those types of practices, increase the price and increase the discount type of thing?

Dr. Collin: About the last week of April.

Mr. S. Smith: About then. That is the first time.

Dr. Collin: Yes.

Mr. S. Smith: I think I will yield the floor to some other speakers at this point, Mr. Chairman.

Mr. MacDonald: I think it has been very useful to have from Dr. Collin his comprehensive review of all the marketing boards covering 43 commodities in the mix between merchandising and marketing. I don't know how many others asked him, but certainly I asked him and I am very willing to reveal it, to give us a review as to how many complaints had come in from any of the boards with regard to payments below the regulated price.

I don't want to exaggerate this aspect of this problem; I think it is a peripheral consideration. But I think it is one we want to deal with and get out of the way. I am satisfied from what Dr. Collin has explained of what he describes as the auction, poultry and cereal groupings, where I judge from earlier testimony they have payment procedures that are subject to audit from the board, that there is little opportunity for hanky-panky to emerge in terms of discounts or anything of that nature.

However, Dr. Collin himself concedes that in the horticultural group he has had the greatest number of complaints. While there were only 13 over a number of years, let me be very frank and express the view that I think in the nature of the system it is possible that all complaints aren't reported.

Let me, without rubbing salt in the wound, take the McGuigan case.

In the instance of Mr. McGuigan, like many farmers who are delivering directly to a retailer, he has a relationship that has gone on for years. It has almost become a personal relationship. I can quite understand if that retailer, being in a chain like IGA, becomes subject to certain directives from the head office and those directives are imposed upon the producer, the producer is going to be hesitant to report it. He sort of lives with it; he becomes co-opted into the system.

I think the irony, if I may put it frankly, in the McGuigan case, is that if Mr. McGuigan had reported this payment of something less than the regulated price, unwittingly he would have smoked out a procedure that he didn't know anything about and, as far as I can figure out, most people didn't know anything about, namely, an agreement between the apple commission and the IGA independent operators or affiliated merchants to the effect that they could make the deduction which wasn't a breach of the regulated price but a service charge. I am interested in Dr. Collin's comment that this has been referred to the appropriate place for discussions between the Ontario Farm Products Marketing Board and the apple commission to see whether they really hadn't been violating the law.

There may be many other cases out there of individual producers who are co-opted into the system and, for reasons of long-term relationships and not wanting to rock the boat, are willing to accept a price below the regulated price and therefore be in violation of the law.

I repeat: I don't think this is an important aspect of the general problem we have been reviewing, but I think it is one part that we have to keep an eye on. I won't name him, because it would be unfair if I were to name him, but a very knowledgeable person in the fruit and vegetable industry said to me that he was disturbed by the number of people out in the country who said: "Even if there is a two per cent discount, why complain about it? Why rock the boat? Let's just live with it." Okay, you are living with a violation of the law if there is a regulated price.

All I would say to Dr. Collin, without quering him further, because I appreciate very much his detailed review of the situation here, is that I think this is an area that has to be looked at and watched very carefully. I don't know to what extent it is the responsibility of the Ontario Farm Products

Marketing Board to ride herd, so to speak, over local boards and make certain that local boards are insisting that their regulated price be lived up to and no exemptions be granted that are not at least authorized.

May I ask that question of Dr. Collin? Do you consider that it is the responsibility of the OFMB to review the procedures of local boards to make certain that they are living up to their regulated price and that they are not tolerating relatively infrequent, but nonetheless periodic, violations of their own regulated price?

Dr. Collin: Sir, could I answer your question on the second part? It has bothered me, sitting in the audience, listening to comments about the reluctance of producers to come forth, and this is one reason I carefully prepared this report for the committee. The evidence shows you, in the case of potatoes, that 23 producers were mad enough on a point of principle to come forward with a complaint; 52 producers on the greenhouse board were annoyed on the basis of a principle to come forth and demand.

It is interesting, in my brief experience in farm products marketing, that there is no hesitation whatsoever on the part of these producers to come forth and complain either about price or principle or matter of payment. I think this does good credit to the farm products marketing board system. The growers trust the appeal system that is built into the farm products marketing board and trust the degree of confidentiality that they do not hesitate to come forward on point of principle, a point of money or on a matter of condition of sale, as in the case of the 23 potato growers.

Mr. MacDonald: They come to you rather than the local board, do they?

Dr. Collin: If they feel they don't get satisfaction at the local board level, they come to the Ontario Farm Products Marketing Board. This is a matter we haven't touched on, or we have touched on a very small part of the farm products marketing board's responsibility, but through the appeal process there is the opportunity to appeal any grievance as a result of an order, agreement or direction of the local board. Any producer has an opportunity to come forth and make an appeal on the point of grievance.

Mr. MacDonald: Let me clarify the procedure. If somebody comes to you and says, "My board has not been living up to a regulated price," do you say, "Go back and make your complaint to the board" or do you take it from that point forward?

Dr. Collin: Usually the appeal procedure asks them to go back to the board to make the point, to ask the question of the board. The local board does have the choice to waive their hearing and say, "Fine, let's go right to the farm products marketing board for a hearing." This sometimes happens, as in the case when the 52 producers of Sun Parlour came on a point of principle to the Ontario Farm Products Marketing Board. So there are the two forms of appeal, either direct or through the local board. To answer your question, certainly the farm products marketing board does take that responsibility very seriously.

Mr. MacDonald: Good.

Mr. Riddell: Donald, it should not come as any surprise to him that farmers are somewhat reluctant to come forth. In a letter dated 1972 to William Stewart from the Ontario Fruit and Vegetable Growers' Association drawing to his attention the discounting practice of Dominion Stores, one paragraph states: "I am having some trouble in that the growers who have been contacted by the produce manager of Dominion Stores Limited are fearful of having their names revealed because of fear of reprisal. This may not be classed as payola but it certainly is a new gimmick to get the producer to pay for the opportunity to sell his products." So there is some fear amongst the producers. Check a letter written in 1972 to Bill Stewart by the secretary-treasurer of the Ontario Fruit and Vegetable Growers' Association.

Dr. Collin: Well, sir, the only comment I can have there is that many times—I don't reflect on this letter but, in some cases where you do run into complaints, sometimes the proof is not there; maybe the concern is not truly justified. Part of the process is to pull out the facts, to avoid the innuendo, to give proof. This is a real point, because many times in the off-handed conversation you can listen to the gripes of the farmer; you know, sometimes it is second nature for farmers to gripe—

Interjection.

Dr. Collin: Come on, I say that as one who gripes occasionally.

Mr. Riddell: The practice was quickly stopped after it was brought to Mr. Stewart's attention.

Dr. Collin: But my point of view is, Mr. Riddell, that you have to have some proof to act on, and it sometimes is a very frustrating thing to get the proof you need to take the action.

Mr. MacDonald: Mr. Chairman, I don't want to pursue this point any further. I just want to stress that I think one small but important area is the responsibility of local boards and/or the farm products marketing board, provincially, to make certain that regulated prices are lived up to, because sometimes they are breached by very honourable people because they are co-opted into the system and, if you tolerate one breach, you have got the open door to a dozen breaches.

Let me move on to a second area, if I might. I was rather disturbed, after we had had the testimony from Henry Epp of the Greenhouse Vegetable Producers' Marketing Board, to have information directed to me. You may recall that I put the case to Mr. Epp as to what the procedure was if you sold \$100 worth of produce and the shipper got a nine per cent commission; was that nine per cent commission subtracted from the \$100 so that the shipper got only \$91? He said "yes."

I perhaps should have pursued my questioning. The information that came to me since was to point out that, in addition to that nine per cent commission, the producer has to pay 67 cents a dozen for packaging, five cents a dozen to the board as a fee for the operation of the board, five cents a dozen for a promotional fee or advertising which is something that was authorized by the growers in a vote that was supervised by the Ontario Farm Products Marketing Board, and a half a cent to Garden Acres.

I checked with Mr. Epp yesterday when I drew from the fields over the supper hour—it was raining here, but it was sunny in the Sun Parlour, as you might expect—that the total was something like 25 per cent; so that of the \$100 of produce that the producer was selling, he was getting no more than \$75. However, that's by way of background, because there was one further charge—and this isn't a charge against the producer, because the producer is paid f.o.b. Leamington, for example. There was a 25-cent per dozen shipping charge—for cucumbers, for example, from Leamington to Toronto—and my information was that 20 cents of that was represented by the freight charge and five cents of it was an extra that was rebated to the supermarkets and, within that, they had the means for getting their two per cent discount. In short, the two per cent discount was going to be disguised and hidden in a shipping charge.

When I put that to Henry Epp, he acknowledged that there were rumours to this

effect, but he has had no particular proof of it. He's in the same position as this committee has been in many instances of trying to track down rumours to get hard facts and documentation for them. So my question to Dr. Collin is: Is he aware of this sort of wrinkle in the procedure whereby a discount to the supermarkets can be hidden in a shipping charge between the f.o.b. point, namely, Leamington or wherever it may be in the province, and the food terminal here in Toronto?

[9:00]

Dr. Collin: Sir, I have to point out that the authority of the local board just goes to the f.o.b. Leamington price. I think you fully appreciate that the authority of the board does not extend to the dealer or the shipper in this case. The board has no authority to regulate.

Mr. MacDonald: In other words, you move from the marketing into the merchandising and that's beyond your jurisdiction?

Dr. Collin: Yes.

Mr. MacDonald: We'll get to that perhaps when we are dealing with the food council which, presumably, has some jurisdiction.

Mr. S. Smith: Could I interrupt you for just a moment, Donald, and quote from the Farm Products Marketing Act, section 4(1)(d): "the board may investigate the cost of producing, processing and marketing any farm product, prices, price spreads, trade practices, methods of financing, management policies and other matters relating to the marketing of farm products." So it doesn't seem to me that the board is necessarily obligated to stop its investigation as soon as it leaves the hands of the producer.

Dr. Collin: Sir, I made the point that the authority of the greenhouse board stopped at the f.o.b. price for product.

Mr. MacDonald: What about your authority? Of the Ontario Farm Products Marketing Board?

Dr. Collin: That's a fair point, sir.

Mr. MacDonald: I come back to my question, then. Were you aware of this wrinkle in which a potential discount and a rebate, allegedly, of five cents of a 25-cents-per-dozen so-called shipping charge was really a rebate to the supermarket?

Dr. Collin: As I said, in the last week of May, I heard many, many rumours. This type of rumour was one of the comments. It was much like the comment that Mr. Joe Hudson made about the rebate charge on eggs. I have

no direct knowledge of it. I've heard rumours of this type of the rebate system.

Mr. MacDonald: But hidden within a shipping charge?

Dr. Collin: Within the shipping charge.

Mr. MacDonald: Really?

Dr. Collin: Yes.

Mr. MacDonald: Mr. Chairman, may I say through you to the minister that this is really the height of deviousness. If the supermarkets have nothing to hide why the devil are they trying to hide it? And if there's a discount hidden within shipping charges as a means of disguising it from everybody, I suppose we come back to the point as to where is the responsibility for smoking out, for investigating, for digging out this kind thing? To what extent does it rest with the Ontario Farm Products Marketing Board? Under the section of the act that Dr. Smith has quoted, if the English language means anything, you have some authority. Certainly one can quote from the food council statute. They have some authority.

Who is digging out this kind of thing? Are you?

Dr. Collin: Sir, we have simply tried, as in the statement, to assure the committee that the producers have received the regulated board price.

Mr. MacDonald: Okay, you're on solid ground there because the producer got it and this price is beyond the f.o.b. price.

Dr. Collin: Right.

Mr. MacDonald: But it falls within the four corners of the act which states that you have jurisdiction into the merchandising and the marketing as well as in the price that the producer may get. The producer may be protected by his marketing board.

I presume that this is a point that we might consider in our report, or summation of our activities in this committee.

Hon. W. Newman: Mr. Chairman, may I just make a comment here? I don't like to interrupt you, but we're going by a discussion that you quite obviously had tonight during the supper hour with the chairman of the greenhouse board.

Mr. MacDonald: That was last night.

Hon. W. Newman: Last night, or whenever it was. Maybe we should or shouldn't have asked those questions there. But may I just ask for clarification? Did Mr. Epp say there was a discount included in the shipping charges?

Mr. MacDonald: I asked Mr. Epp if he had heard of the proposition of the 25 cents be-

ing a 20-cent shipping charge and five-cent rebate to the supermarket. He said, as Dr. Collin has just indicated, "That's beyond the board's jurisdiction." But he said he had heard of this. He was not in a position to document it. It's only one of a thousand and one areas, which if we're going to get to the bottom of this, we've got to seek the documentation and find out what's happening.

This one is really the height of deviousness. We've had many kinds of discounts that vary in names and so on, but to have a discount hidden within a rebated portion of a shipping charge paid by the shipper gets into the merchandising aspect of it, beyond the marketing aspect of it, but it is part of the whole food industry problem.

Mr. S. Smith: It's no worse than overpaying for advertising.

Hon. W. Newman: Mr. Chairman, I'd like to point out here that maybe Mr. Epp or someone—we're dealing with hearsay again. If there is something wrong there I'd like to hear about it.

Mr. MacDonald: Mr. Minister, there are thousands of instances where you would like to hear about it because we haven't been able to get the documentary evidence. I'm just drawing to your attention an area that Mr. Epp confirms as being an area that he had heard of but in which he had not been able to get the proof. In short, there is need for continued investigation to find out what the devil is happening in the merchandising of food in this province because we don't know. Some of it is very devious, if I may say so.

There is just one final point that I want to raise. Dr. Collin, do you consider that it is any responsibility on your part to engage in the great public debate that is going on at the present time with regard to the validity and the legitimacy of marketing boards? Are you in the battle, the propaganda, the public argument, the public discussion on that score where we find the CAC, in particular at the national level, saying that marketing boards are a part of our problem?

I was fascinated, for example, in reading in the Ontario Food Processors' Association booklet where you have a comment from Ida Burns who is a marketing consultant. In one sentence, she says in her article in it: "It is for this reason that I advocate proper use of supply management principles to ensure prices which cover costs so that the size of the industry will be appropriate to long-term needs in production which will meet current demands for the product." That's wonderful. I would agree with that totally.

On the very next page they have a delightful "Opinions from Food-Oriented MPs," allegedly a thinking MP, Mrs. Pigott in Ottawa. One of her comments is: "Marketing boards, while generously benefiting farmers, are not beneficial to the food industry."

Without going any further, because this is a long, involved and ongoing debate, do you consider it is part of your responsibility as the chairman of the Ontario Farm Products Marketing Board to engage in that public debate in defence of marketing boards?

Dr. Collin: Sir, I would just like to make a comment. I'm rather surprised that you comment that the CAC is against marketing boards—to quote you. This is not the impression I've had talking with CAC people.

As far as propaganda war goes, that's just not part of my activity. I might explain that I do go out on every occasion to talk to producer groups or other types of groups to explain what the responsibilities and what the authorities of farm products marketing boards are. I find it rather unfortunate that there is a great deal of misunderstanding, misinformation and, in some cases, disinterest about the responsibilities and benefits of marketing boards. Every chance I have I go out and try to put forth a fairly honest point of view on this matter.

Mr. MacDonald: You put the facts of the operation of marketing boards before them but don't engage in the public debate?

Dr. Collin: I think the facts speak for themselves, sir, and all you have to do is express the facts and the resulting benefits are so obvious.

Mr. MacDonald: I'll leave the matter rest, but I'm rather taken aback at your suggestion that you don't think the CAC has been critical of marketing boards. May I quote one sentence from Peter Hannam's speech to the CAC in Barrie in which he made many other relevant comments of interest to this committee? He said, in talking about the general public: "All they remember is the CAC, at least at the national level, seems to be on a continuous and thoughtless witch hunt against marketing boards with supply management."

If anybody has listened to the president of the CAC nationally, or to Beryl Plumptre in her earlier incarnations, I don't know how you could mistake, for one moment, that she isn't hostile to marketing boards as being not helpful to the food industry.

Dr. Collin: Could I just make just one very brief comment, Mr. MacDonald, through you, Mr. Chairman? I think you fully realize that we have a CAC representative on the farm

products marketing board, Mrs. Ruth Jackson. She is very much involved in the appeals, decisions and directions of all the 21 commodity boards in Ontario. I certainly have to speak up for Mrs. Ruth Jackson as being a past president of CAC in Ontario. She certainly is not paranoid or against marketing boards at all. She is one of the strongest supporters of marketing boards and we really highly value her contribution. You can't speak for every member of CAC. We have a family membership in CAC and I guess I should speak up for CAC too. I just can't accept your conclusion that CAC is against marketing boards.

Mr. MacDonald: At the national level, I don't think there's any doubt about it. At the provincial level, I agree that they've been a bit more broad-minded in their approach.

Hon. W. Newman: May I just clarify a point? I believe you said CAC was against marketing boards. I think it was Maryon Brechin who came out, if anybody came out, when she came on the stand, in perhaps speaking against national supply management programs, but not generally marketing boards at the provincial level.

Mr. Eaton: I have a couple of quick questions. Referring back to the tomato situation in the discounts that were offered in Montreal, did the court case result from the fact that they were selective discounts to that market and that Sun Parlour Co-op perhaps ended up supplying a great deal of that market at the discounted price? Was that the complaint?

Dr. Collin: Yes. This is why I put the emphasis on selective discounts. Obviously, to make the discount system work they had to select supermarket chains. Possibly part of the discomfort of being in the system of selected discounts was that you either oversubscribed or undersubscribed to a discount.

Mr. Eaton: I think it was clearly stated by Mr. Epp that they went after that particular chain to take a volume of tomatoes at a discount price at that time, wasn't it?

Dr. Collin: True.

Mr. Eaton: In effect, what they were trying to do this year was make sure that individual producer groups and individual shippers didn't bear the burden of that. If they hadn't lowered the price selectively to that particular market because they knew there was going to be a volume, they would have had to lower the price generally and everyone would have taken a lower price to move the commodity. So it did benefit some of the producers somewhat on the price.

Dr. Collin: Could I just follow that up a little bit?

One of the commitments under the December 15 memorandum of agreement was to use pricing better to move products. This was basically a commitment of the greenhouse board not to rely on a volume discount to move the product, but to price the product to meet the competition. The competition is imports from Mexico, Florida or California.

The marketing board did make a very serious commitment to be very responsive in their pricing in the 1978 season, to price so they wouldn't have to be dependent on discounts, but to price also to confirm that the price would hold for a period of 10 days so that a volume could be arranged and organized for movement.

Mr. Eaton: Under their present pricing practice, if they guarantee a price for next week's specials, do they guarantee the quantity too?

Dr. Collin: Yes. There's usually a guarantee of quantity at a price. In other words, there's no point in guaranteeing the price unless you get the quantity moved. The real effort and the name of the game is to move the product.

Mr. Eaton: In effect, if some shippers make the deal on that quantity and that price and the price moves up the following week, some producers are still going to benefit more than others from the move up of the price.

Dr. Collin: Could I back you up? You said the shippers make the commitment. It's not the shippers. It's the marketing board that makes the commitment of volume and price on behalf of shippers.

Mr. Eaton: That commitment is shared by all shippers on a percentage basis?

Dr. Collin: That's right. For example, some of the guaranteed features are set up whereby possibly three or four shippers will contribute into that volume, because obviously it may take twice the normal volume to supply a particular feature. In effect, they're pushing out the import product and they're finding a home for volume.

Mr. Eaton: In effect, it's a form of pooling to meet that competition.

Dr. Collin: Yes, it is.

Mr. Eaton: I just want to refer to a couple of statements made by Mr. MacDonald about fees that were extracted after the price was fixed and after the commission was taken out. Isn't that the practice of most of the boards that after they set their price their licence fee comes out of it?

Dr. Collin: Yes, as a service charge.

Mr. Eaton: In the case of some boards, with the licence fee there's a service charge that may apply?

Dr. Collin: That's right, as a service charge.
[9:15]

Mr. Eaton: I think that there was a reference here in our discussions to freight charges and discounts on freight charges too I believe. They talked about an f.o.b. price, a Toronto price, and that there were some five per cent discounts in between. I think this follows through to the marketing of the product by the farmer too. For instance, if a trucker comes in to pick up a load of hogs, if you can fill his truck to go to Toronto, he will give you a better price. If he's going to pick up 10 hogs at each place he might charge \$1 apiece. If he comes in and picks up a whole truckload at your place it might be 75 cents a head. So the same thing could apply with the movement of the vegetables or fruit. If you are going to drop a truck load at one place, rather than 25 cents a dozen, it might be 25 cents less five cents discount for taking a whole truck load.

Mr. MacDonald: This was rebated to the supermarket, in the information I had.

Mr. Eaton: Yes, it's rebated to the supermarket because they have bought a whole truck load of the product at that point.

Dr. Collin: Yes, there has to be economies in truck load lots, no question about it.

Mr. Eaton: Okay, thank you.

Mr. Riddell: Dr. Collin, the fact that marketing has such a wide definition under the Farm Products Marketing Act—"meeting, buying, selling, offering for sale including advertising, financing, assembling, storing, packing, shipping, and transporting in any manner by any person"—and the fact that you are given authority under the act "to investigate the cost of producing, processing and marketing any farm product, prices, price spreads, trade practices, method of financing, management policies and other matters relating to the marketing of farm products," have you ever exercised the powers which you are given under this act? Did you investigate this matter which Donald MacDonald brought to your attention, the 20 cents shipping charge and the five cents rebate, which you, if I understood you correctly, said that you had heard was being charged? Did you investigate this?

Dr. Collin: Sir, can I just buy a little bit of time to think this one out?

One of the problems, as you realize, reading that long, long list of responsibilities, is often there are times when you have to decide what the priorities for the efforts and time of the board must be. I make no apology for the board. We have delved into many of these areas. Obviously, we can't delve into all of the areas at one instance for all the 21 boards. I don't make apology for the board but, yes, we have considered many of the broad aspects of promoting, advertising, processing, selling of commodities and using the authority of the Ontario Farm Products Marketing Board.

Mr. Riddell: The matter has been discussed in the House, you have been hearing all these rumours, and to this point in time there hasn't been any kind of an investigation done by the board?

Dr. Collin: On what matter, sir?

Mr. Riddell: The matters that we have been bringing up in the House right from April 29.

Dr. Collin: Sir, you, for one, ask for information on assurance of minimum board price. Mr. MacDonald has asked for that information. We have provided that information. We are dealing primarily at the producer level. This is where our contacts are on a daily basis with our 21 commodity boards. Sir, if you would like to bring a problem to our attention, we would certainly deal with it.

Mr. Riddell: Does it seem strange to you that you heard about the problem back in 1977, at the time of the Sun Parlour disagreement with some of the producers, the matter that's before the court now, and when we questioned the minister in the House about this matter he said he hadn't heard anything about it?

Hon. W. Newman: That's not true.

Mr. Riddell: I believe that you indicated to us—

Hon. W. Newman: On a point of order, when we get discussing the matter, I think your leader asked me a question. I said, "If you're referring to the greenhouse situation, I was aware of it last"—whenever it was, I've forgotten the exact date.

Mr. Riddell: These are two different matters. I still maintain that that's a red herring. It was at the time that Sun Parlour and the producers had expressed some disagreement, but it was also at the same time, I believe at one of the meetings, that this business of discount pricing was brought to the attention, I believe, of Dr. Collin. I would think that he would have conveyed this to you, but you seem to indicate that

you didn't know too much about this discounting practice until shortly before it was brought up in the House.

Hon. W. Newman: Mr. Chairman, I will refer you to Hansard, page 2563, on May 16:

"Mr. S. Smith: You can speak to the chairman.

"Hon. W. Newman: As of July 1977, I was aware of the Greenhouse Vegetable Producers' Marketing Board problem."

Mr. Riddell: Yes, but I say these are two separate issues, that is the problem that the producers and Sun Parlour were having. But it was also at that same time that there was some complaint about the discount pricing practices of some of the chainstores. Was this complaint never acted on? It is quite separate from the matter that is presently before the courts to the best of my knowledge.

Hon. W. Newman: May I ask some questions for clarification? The greenhouse marketing board have had an internal problem. Therefore, they filed an injunction to hold those funds until such time as the matter is sorted out.

Mr. Riddell: That wasn't necessarily over discount pricing practices, or was it?

Hon. W. Newman: No, it was a different matter. It was really an internal matter.

Mr. Riddell: That's the point I'm trying to get at, but also at this time a complaint was aired about the discount pricing practices. I believe that Dr. Collin was informed about it. I'm wondering if he didn't convey the information to you or whether he didn't think it was serious enough or whether he didn't feel he had the authority under the act to investigate it?

Hon. W. Newman: I believe you will find that George Collin can answer himself. I believe you will find also that the Ontario Farm Products Marketing Board and the chairman himself—and I say this in all honesty—work very long and hard hours. He was aware of this situation and has been working on and working with them. As a matter of fact, I have talked to your own member from that area about it. He is fully aware of the problem—he's sitting behind Mr. Smith—and about the greenhouse vegetable growers situation. I called him up regarding the matter, so I was aware of the situation some time ago.

Mr. S. Smith: It's discounting we're talking about.

Mr. Mancini: I'd like to raise a point of privilege.

Mr. Chairman: Just a minute, I don't see where you have a point of privilege. You

just walked into the meeting here. Let's go on with our discussion.

Mr. S. Smith: You just deferred to the minister, did you not?

Mr. Mancini: You are possibly the worst chairman that has ever chaired any standing committee. You are heavy-handed. I was mentioned in a statement by the minister and I stand on a point of privilege. I am not going to allow any heavy-handed chairman who has absolutely no competence like yourself to overrule me.

Mr. Chairman: I don't have to take this shot from you. Just be quiet. Let's have a little order. Who has the floor here? You have no point of privilege here. Mr. MacDonald, please go ahead. You just came into this meeting a few minutes ago, Mr. Mancini.

Mr. Mancini: Why are you defending the minister?

Mr. Chairman: You have no right coming in here on the spur of the moment. We're discussing the problem here.

Mr. S. Smith: I raise a point of order.

Mr. Chairman: For what?

Mr. S. Smith: I raise a point of order on the matter that a point of privilege has been raised by a member of this House.

Mr. Chairman: For what reason?

Mr. S. Smith: You'll find out once he expresses it. A point of privilege has been raised by a member.

Mr. Chairman: I beg to differ. Mr. MacDonald has the floor.

Mr. S. Smith: I am still raising a point of order, Mr. Chairman.

Mr. Chairman: I don't care if you raise anything. Mr. MacDonald.

Mr. S. Smith: I raise a point of order. I don't intend to let go of this point of order. I can assure you of that, Mr. Chairman.

Mr. Chairman: You wouldn't let go of your own mother, for heaven's sake.

Mr. S. Smith: I raise a point of order. When a member raises a point of privilege, he is—

Mr. Chairman: He is not a member of this committee, Mr. Smith. I must remind you of that.

Mr. S. Smith: We are in estimates. He is a member of the House.

Mr. Chairman: He is a member of the House but he is not a member of this committee. As far as I'm concerned, the members of the committee who sit on this committee have the first right. Mr. MacDonald has the floor.

Mr. S. Smith: I'm sorry, if you will check the procedure you will see any member has a right to raise a point of privilege at the time he feels his privilege has been breached.

Mr. Chairman: How could his privileges be breached?

Mr. S. Smith: He must raise it at that time and not later or else he can be considered to be incorrect. The minister has just made reference to that very member. He believes, for whatever reason, that his privileges were breached when the reference was made. Therefore, as a member of this Legislature elected to represent his constituents, he has the right to raise a point of privilege. The chairman, whether he likes it or not, must hear the point of privilege and must also hear the point of order that I am presently raising.

Mr. Chairman: Before I accept that argument either way, I demand a retraction of the statement that the member just made because that had nothing to do with it. I demand a retraction first of what was said here.

Mr. S. Smith: You have to rule on my point of order whether you like it or not. I have raised a point of order that consists of the fact that you must listen to a member who has raised a point of privilege. You will have to rule on my point of order.

Mr. Chairman: I shall rule on it.

Mr. S. Smith: I'm waiting for the ruling.

Mr. Chairman: Those in favour of Mr. Smith's ruling, please say "aye."

Mr. S. Smith: You have to rule, Mr. Chairman. You are the chairman.

Mr. Chairman: I have just ruled you're out of order.

Mr. S. Smith: I challenge the ruling.

Mr. Chairman: You challenge it on what basis?

Mr. S. Smith: On the fact that I raised a point of order which is very clear, namely, that a member of the House who has a point of privilege has to be listened to. It's on that basis.

An hon. member: What's the question?

Mr. S. Smith: Ask the clerk.

Well, I've put my point of order.

Mr. Chairman: Well, I still want a retraction of Mr. Mancini's statement. I'm not sitting here to be criticized by the member coming in here and in a split second criticizing me, so I demand a retraction before we proceed with the point of order.

Mr. Lane: It wasn't a fair statement.

Mr. Chairman: I'll say it wasn't.

Mr. S. Smith: What the member's opinion is of the chairman's ability to conduct a meeting—

Mr. Chairman: I don't think that has any bearing.

Mr. S. Smith: —may be very unpleasant, it may be wrong; he may be incorrect.

Mr. Chairman: The point of order has nothing to do with my chairmanship.

Mr. S. Smith: There's nothing unparliamentary about what he has said, however. Whether you disagree with him—

Mr. Chairman: Oh, well, that's your opinion!

Mr. Hennessy: Mr. Chairman, may I raise a point of order?

Mr. Chairman: While we're on it, please go ahead, Mr. Hennessy.

Mr. Hennessy: I understand that at the beginning of the meeting, Mr. MacDonald, Mr. Smith and the rest of the members agreed that each vote would have an hour and 20 minutes, it's long past that hour and 20 minutes now.

Mr. Chairman: Well, we've already gone past these estimates.

Mr. Hennessy: But you've changed the rules to suit yourselves, I don't understand it, that's all.

Mr. S. Smith: I have challenged the chairman's ruling, a challenge cannot be debated. We have to vote on it, Mr. Chairman.

Hon. Mr. Newman: Who's entitled to vote?

Mr. McNeil: Go ahead, let's call the vote.

Mr. Chairman: Okay, those in favour of the chairman's ruling, please signify.

Those against.

Mr. Smith's ruling is defeated. Mr. MacDonald.

Mr. MacDonald: My question was that I don't want to get into an argument as to the internal problems in the greenhouse—

Mr. S. Smith: It should be raised at the time.

Mr. McNeil: Raise it in the House tomorrow, that's your position.

Mr. Mancini: You know what the Speaker will say in the House.

Interjections.

Mr. Chairman: Order, order.

Interjections.

Mr. Renwick: The chairman is correct and you know he's correct.

An hon. member: What a lawyer.

Mr. McNeil: You come in here and disrupt the committee.

Mr. Renwick: You raise it in the House tomorrow, that's your privilege. You don't have any privilege in here.

Mr. S. Smith: He'll say raise it in committee.

Mr. Eaton: If you know the rules, why disrupt the committee?

Mr. MacDonald: If I stand, can I be heard?

Mr. Chairman: Please go ahead, sir!

Mr. MacDonald: My question is this, and I hoped I could get it in very briefly and not interrupt Jack Riddell any more. I don't want to get into the internal problems within the greenhouse board, but I raise the proposition of a 25 cent charge per dozen in freight, five cents, which was allegedly rebated to the supermarket and within that they had their two per cent discount that they were seeking.

The question I want to ask of Dr. Collin is—I know he's busy, I know he has a thousand and one things in the board, but this issue is the hottest thing in the House. Would that not elevate it to nearly the top thing in your schedule? In the light of your responsibility under the Farm Products Marketing Act, you do have jurisdiction to supervising merchandising beyond the marketing, so why didn't you look into it? We're puzzled as to who has the responsibility of looking into these things when you hear rumours.

Mr. Riddell: That was basically the point I was trying to make, because Dr. Collin indicated he wants some time to think it over.

Mr. Chairman: I must remind the members of the committee we had decided that we had—

Mr. Riddell: We're awaiting an answer from the chairman, Mr. Chairman.

Mr. Chairman: Oh I'm sorry, go ahead.

Dr. Collin: As I've said before, it was passed on as a second-hand rumour. You say we should have found time to investigate it. I can only answer you by saying that we find our responsibility is first to the commodity boards and, as I've said, we have 21 of these commodity boards and we do have some other very urgent matters before our farm products marketing board. Quite honestly, sir, it wasn't the top priority in dealing with our commodity board.

Mr. MacDonald: In view of the debate in the House, and in view of the great public concern in this kind of rebate procedure am I unfairly interpreting your view that you're so busy that you ignore that section of the Farm Products Marketing Act?

Dr. Collin: No, I'm not. I'm saying, all we had was second-hand rumours about this possibility of the five cents.

Mr. MacDonald: But who has the responsibility for checking down second-hand rumours and finding out if there are any facts, any substance to it?

Mr. Eaton: Oh, we can't chase every rumour.

Mr. S. Smith: They don't chase any.

Mr. MacDonald: You don't chase any, that's the problem.

[9:30]

Mr. Riddell: Just one last question and I'll stop. When this matter was raised in the House and when it was certainly brought to your attention at that time, did the minister issue any directives to you to get on to the thing and look into some of the charges that were being made? Not just at the producer level?

Dr. Collin: Sir, the directions the minister gave to the marketing board was to inquire of the marketing boards whether any discounts had been offered that took it below the minimum board price. We investigated this and told the boards to report to us any request or offer of a discount.

Mr. Riddell: So you restricted yourself pretty much to the producer? You didn't go beyond the producer to see if these discounting practices were affecting the consumers or—

Dr. Collin: That was our priority, sir.

Mr. S. Smith: So the Minister of Agriculture and Food basically told you just to look as far as the producer and to go no farther, is that correct?

Dr. Collin: No sir, he didn't. I didn't say that. He asked us very specifically—

Mr. S. Smith: He did not instruct you to go any farther than that and you took your mandate to be basically at the producer level?

Dr. Collin: Sir, I said our priorities were to deal with the problems before our 21 commodity boards.

Mr. S. Smith: I understand, and—

Dr. Collin: As I've explained, the limitation in the greenhouse marketing board is to the f.o.b. producer client first.

Mr. S. Smith: I understand, but you have other authority. I take it that the minister, in all this business that's been going on in the House and so on, has never instructed you to go beyond the producer level.

Dr. Collin: Sir, his immediate concern was, "Are the producers getting the board price?"—

Mr. S. Smith: That's right.

Dr. Collin: This is what we have been busy investigating.

Mr. S. Smith: And he's instructed you no further than that?

Dr. Collin: He didn't limit our power.

Mr. S. Smith: He didn't limit you but he didn't instruct you to go further?

Hon. W. Newman: Oh, come on.

Mr. S. Smith: Well, that's what I'm saying. He did not limit you, but he did not ask you to go further. He did not call you up and say, "Mr. Chairman of the Board, I notice you have powers under 4(1)(a); would you please exercise those powers?" He never asked you to go any farther, is that correct?

Mr. Lane: Have you fellows got nothing to do but go witch hunting?

Mr. Riddell: Wait a minute, he is the Minister of Agriculture and Food—

Mr. S. Smith: He's the Minister of Agriculture and Food. He happens to have an act under which most authority to look at all merchandising practices happens to reside with the chairman of the food products marketing board and his particular board. Yet he never instructed that board to look into this matter beyond the matter of whether or not the producers had their money. That is a very important point.

Dr. Collin: Sir, you haven't asked us what other priorities we're dealing with.

Hon. W. Newman: And he's not interested.

Mr. Chairman: I must remind the members—

Mr. S. Smith: I don't mind. Tell us what other priorities you're dealing with.

Hon. W. Newman: Mr. Chairman, I have to respond to this and it's unfortunate that I'm going to say what I'm going to say now. It's quite obvious you don't understand farm marketing. You have been coming in here night after night after night making a lot of statements. You have done your homework very well with your researchers, I'm fully aware of that.

My instruction to my people is that any time anything illegal is going on, they are to look at it. That's whether it's in the greenhouse industry or anything else. The situation, primarily—

Mr. MacDonald: Did you instruct the chairman of the farm products marketing board?

Hon. W. Newman: —primarily my responsibility—let me finish—is to make sure the producers of this province—I say primarily—

Mr. MacDonald: No, no. That's only half of your responsibility.

Hon. W. Newman: Okay, fair enough—

Mr. MacDonald: The minister of food—who's the minister of food?

Mr. Lane: You're not the minister of—
Interjections.

Mr. Chairman: The minister has the floor.

Hon. W. Newman: Their responsibility is to make sure that under the farm products marketing legislation all the farm boards are acting properly and in accordance with the act. That's the primary concern. There's no doubt about it. Fair enough? That's their primary concern. Any other irregularities or anything illegal that's going on I want to know about. I have consistently said it in the House; I've consistently said it in this committee—if there's anything illegal—

Mr. S. Smith: You want to know about it.

Hon. W. Newman: I want to know about it, that's right.

Mr. S. Smith: But you happen to have only a few statutes at your disposal, Mr. Minister. One of those statutes is the Farm Products Marketing Act. In fact, it's the one statute you have which has actually the broadest powers with regard to marketing and merchandising that go beyond the producer level. It's broader than even the food council statute you have.

Consequently if, as you keep on saying, you want to know, and you say that over and over again, surely one logical thing you might have done, sir, is ask the chairman of the farm products marketing board to implement the act which gives him and his board probably more than anybody else in the province the right to look into and to investigate all these other practices.

I appreciate the fact that you've made sure the producer got his money. But I do not appreciate very much that as Minister of Agriculture and Food you've failed to instruct the chairman of this board to implement the powers he has under this act to find out what is going on and get to the bottom of all these other rumours that you and he were hearing. That, I think, is something that you neglected to do. It's a simple fact.

Hon. W. Newman: You're asking me to go on a witch hunt on every—

Mr. S. Smith: Oh, I'm not hunting witches. We're hunting for discount practices; what does that have to do with witches?

Hon. W. Newman: You're asking me to do a witch hunt on every rumour that comes forward. That's what you're asking for.

Mr. S. Smith: You will protect the producer but nobody else, apparently.

Mr. Chairman: At the beginning of this meeting—let's have a little order here—at the beginning of this meeting it was agreed that we would split the time between the farm products marketing board and the Ontario Food Council. We have gone about 10 minutes over our time limit on the Ontario Farm Products Marketing Board and the next speaker we are bringing forward is the chairman of the Ontario Food Council.

Hon. W. Newman: Mr. Chairman, while he's coming up, I want to make the point that I hope you will allow me five minutes before 10:30 tonight to explain what we have done as far as the delegation from British Columbia is concerned.

Mr. Chairman: Please go ahead now, Mr. Minister.

Hon. W. Newman: Mr. Chairman, I think the motion was moved the other night by Mr. Nixon and seconded by Mr. MacDonald to bring down whomever we could from British Columbia to discuss the same situation they have been going through out there as far as discounting is concerned. Also, a study has been done there. The study will be tabled in the British Columbia Legislature on Thursday of this week.

The chairman of the standing committee, Mr. Bawtree, is coming down with two or three of his research people. They are flying down and will arrive here at 4:35 Tuesday next; they are prepared to come before the committee at 7:30. They would like about an hour and a half to explain exactly what they have been doing in British Columbia. They are going to air freight copies of the report down to us. We will see that you have copies by courier—hopefully by Friday of this week after it's tabled, if not Monday morning at the latest. We will see that you have copies of that report that is tabled. They are quite prepared to come before us on Tuesday evening.

I guess the question is, Mr. Chairman, as a result of the committee authorizing this, I don't know who is going to pay for it but I guess that's a matter we can work out at a later date.

Mr. MacDonald: Am I correct that there are 87 volumes in that report?

Hon. W. Newman: No, they went into a study of the total aspect of the food industry. There are about 40 different reports they worked on. The report as far as discounting practices is concerned is the one I felt was of utmost importance to us. More members of the standing committee would have liked to come down but their House is in session. They are planning to wind up on June 23, so they felt that only the chairman could

come and two or three of his researchers. They would like about an hour and a half to explain exactly what has been done in BC and you will have copies of the report before our meeting on Tuesday night.

I would only ask, Mr. Chairman, for your consideration that if we want to run over the 10:30 hour, they are prepared to do that. There's a Mr. Smith, and I can't remember who else is coming down. But all the arrangements have been finalized today with those people to come down and explain to us—

Mr. MacDonald: May I ask the minister has he resolved any difficulties that might exist with the House leaders for that meeting, plus the final meeting of this inquiry on Wednesday morning?

Mr. Chairman: Mr. MacDonald, I discussed this with our House leader and he said he would resolve the problem where we cancel out for tomorrow morning and Thursday. I haven't had word from him for the Thursday night meeting, but he agreed that we should meet on Tuesday night, June 20, with the British Columbia people.

Mr. MacDonald: How about Wednesday morning to hear our counsel and finalize this inquiry?

Hon. W. Newman: I have suggested to the chairman that by sitting on Tuesday night and perhaps running over the two and a half hour mark, and sitting on Wednesday morning, even though we have agreement of all the various House leaders that we take half the time for the inquiry except when we are on estimates, the total time allocation will run over the 20 hours. I am quite prepared to have it run that Wednesday morning, which will take us probably to 21 or 22 hours. It has been very hard to figure out exactly the time, but we will actually run over our total allocation on estimate time. However, I know that our House leader is certainly aware of that. The other House leaders would be agreeable to that I assume.

Mr. Lane: We are not sitting tomorrow morning?

Mr. Chairman: No we don't sit tomorrow morning. Mr. Williams. Do you have an opening statement, sir?

Mr. D. Williams: Yes, Mr. Chairman.

Mr. Chairman: I think we all have copies.

Mr. D. Williams: I have passed out copies. I have a few more here if these aren't sufficient. The Ontario Food Council was established in 1963 and brought together all segments, with representation from producers, processors, distributors and consumers. The members during the 1977-1978 fiscal year

were as follows: Producers, Merrill van Camp, general farmer and a director of the Ontario Federation of Agriculture, and Sam Piott, fruit farmer and chairman of the Ontario Tender Fruit Growers' Marketing Board; processors, Keith Leckie, Meat Packers' Council of Canada and Roy Nelson, Ontario Food Processors' Association; distributors, Roy Mitchell, president, Signet Foods and Allan Jackson, vice-president, Dominion Stores Limited; and consumers, Mrs. Barbara Shand, president, CAC, Ontario division and Mrs. Shirley Bird, Federated Women's Institute of Ontario. The appointments of four of the above expired as of June 7. New appointments are presently being considered.

The Ontario Food Council's purpose is to encourage the most efficient form of food production, processing and distribution consistent with fair returns on investment and in the best interests of consumers. This philosophy must also be consistent with the ability to produce food and be as self-sufficient as possible in order to maintain and expand Ontario's agricultural food products industry.

The members of the Ontario Food Council have categorized its responsibilities into five main areas to guide the administration in its program implementation as follows:

First, the inter-relationship of various groups concerned in production and marketing, which includes knowledge, communication, co-ordination of effort and providing a neutral ground for problem solving.

Secondly, new opportunities in marketing, including import replacement and export development; domestic market development; new forms in which products can be merchandised; and increasing markets through promotional programs.

Thirdly, improved marketing procedures, which include quality, packaging, transportation, identification, presentation and buyer-consumer information.

Fourthly, liaison and communication, to encourage understanding of the problems, needs and concerns of the agriculture and food industry by consumers and vice versa; and to provide information and educational material on Ontario agricultural food products to meet the needs of Ontario consumers.

Fifthly, trade practices, to discourage undesirable and encourage desirable industry trade practices and a follow-through on complaints made under section 6(3) of the Ontario Food Council Act.

There is a consumer section of the food council which is comprised of seven representatives of CAC, Ontario division and seven of the Federated Women's Institute of Ontario. Their aim is to assist in maintaining

communication among all sectors of the agriculture and food industry and consumers by presenting the needs and concerns of consumers regarding food to government and industry through the Ontario Food Council and transmitting to consumers information on industry and government programs and positions on situations regarding food which affect consumers.

The Ontario Food Council administration operates as a branch of the Ministry of Agriculture and Food with a total budget expenditure of \$1,742,112 for the fiscal year ended March 31, 1978, including expenditure for the new Foodland Ontario program.

I have an organizational chart here, which I shall not take the time to go through in detail but which you can use as reference. It gives the division of responsibilities of the staff and how the administration is organized.

I could at this stage outline details of the various programs and projects carried out by the Ontario Food Council administration, including export development, import replacement, promotion, food service industry development, trade and tariff, consumer information, industry liaison, agriculture and food industry development, the Ontario Grain Corn Council, the maple syrup program, et cetera, but it might be best to cover these activities through questions. Myself or Mr. Pauls, director of market development, or Mrs. Szeker, director of consumer activities are available to provide any details.

[9:45]

From the food council's inception in 1963, it was recognized that trading practices in the food industry had an influence on the degree of orderly marketing of primary and secondary food products, and therefore should be included as a responsibility of the food council.

The authority for activities in the trade practice area is given under section 6 of the Ontario Food Council act.

Section 6(1): the food council shall conduct such investigations as the Lieutenant Governor in Council approves into matters relating to the producing, distributing, processing and handling of agricultural products or agricultural food products.

Section 6(2): for the purposes of carrying out an investigation under subsection the chairman or vice-chairman has all the powers that may be conferred upon a commissioner under the Public Inquiries Act.

Section 6(3): the food council may receive complaints and collect data respecting trade practices in the food industry that it deems undesirable and take such steps as are necessary to bring these practices to the notice of

the person or persons concerned, and, for the purpose of effecting the discontinuance of such undesirable trade practices, may co-operate with any branch or agency of the government of Canada or the government of Ontario.

Section 6 of the act does not provide authority or a mandate to the food council, or powers to its chairman or vice-chairman, to conduct an ongoing program of investigation throughout the food industry into matters relating to trade practices. Under section 6(1) and (2) specific investigations can be conducted but only when approved by the Lieutenant Governor in Council. The chairman or vice-chairman are given the powers of a commissioner under the Public Inquiries Act only for the purposes of carrying out such an investigation.

Section 6(3) allows the food council to follow through on complaints respecting trade practices deemed to be undesirable and bring such practices to the notice of the persons concerned in an effort to effect a discontinuance of such trade practices.

This section is limited in scope and authority but, nevertheless, has been used on a limited number of occasions.

The inquiry into matters relating to the sale of fruits and vegetables, the investigation provided for under section 6(1), has been used on one occasion. By order in council 818/68, dated February 22, 1968, a public inquiry was authorized and a report produced covering "matters relating to the sale and distribution of fruits and vegetables in the province of Ontario"—commonly referred to as the payola report.

For some time prior to that inquiry, the fruit and vegetable industry had been most concerned about alleged personal contributions, in one form or another, to some buyers in the produce divisions of major supermarket chains. When the directors of Sun Parlour Greenhouse Growers Co-operative Limited came forward with a complaint to the food council, backed up by factual evidence of irregular payments made to the head produce buyer at A and P, based on sales made to that company, the food council approved a resolution calling for an inquiry under section 6.

I am sure many of the members of this committee have read the report. If not, I have a few extra copies here.

Complaints on undesirable trade practices, section 6(3) of the food council act has been used in some specific instances, as follows:

Under date of May 26, 1972, B. G. Wilson, secretary-treasurer of the Ontario Fruit and Vegetable Growers' Association forwarded a letter to the Honourable William A. Stewart,

Minister of Agriculture and Food, with a copy to the chairman of the Ontario Food Council, complaining that Dominion Stores Limited were demanding that producers sign a contract stating that the producer reimburse Dominion Stores two per cent based on sales. Copies of the correspondence are attached under A.

Also, under date of May 9, 1972, W. E. Bond, secretary-manager of the Ontario Apple Marketing Commission forwarded a letter to C. E. Mighton, chairman, Ontario Products Marketing Board, with a copy to the chairman of the Ontario Food Council, suggesting that a retailer in Ontario had been discounting accounts for apples purchased, and that this practice was a breach of section 12 of the general regulations and the commission's pricing orders, and might also be in breach of section 34(1)(a) of the Combines Investigation Act of Canada.

After discussions with the minister, I investigated the complaints and found that Dominion Stores were pushing this program on the basis of a two per cent fast payment arrangement. As prompt payment is required under the Farm Products Grades and Sales Act, this appeared to be an unlikely reason. As a result, the food council recommended that the chairman take steps to have the practice discontinued. Subsequently, I met with senior executives of Dominion Stores Limited who agreed to discontinue this program.

Under date of March 10, 1977, a letter was forwarded to the chairman of the Ontario Food Council expressing concern about a new Dominion Stores purchasing policy requesting packer-suppliers of fresh meats to invoice at one and a half cents per pound above the agreed price to individual stores and that at the end of each month the packers would remit back to Dominion Stores the one and a half cents overcharge. I checked this matter with the meat packers council whose members objected to signing a contract of this nature. Subsequently, I took this matter up with Dominion Stores Limited which agreed to discontinue the program.

Commencing about April 1, 1978 information came to my attention concerning a two per cent discount and rebate program on sales of fresh fruits and vegetables being strongly suggested to suppliers by Loblaw's and Dominion. Although a formal complaint was not registered, I investigated this matter further and found there was substance to the information. I brought this matter to the attention of the Hon. William G. Newman on April 27.

He recommended that I should contact Loblaw's and Dominion and attempt to have these programs discontinued. I discussed these discount programs with Loblaw's and Dominion Store executives on May 3; they both agreed to discontinue the program and write appropriate letters to their suppliers. Further to this action, I contacted the other major supermarket chains and found that Miracle Food Mart had a one per cent discount and rebate arrangement with four vegetable suppliers. Miracle Food Mart agreed to discontinue these arrangements. The other retail organizations did not indicate any such programs, nor have I been able to discover any other similar arrangements.

The Ontario Food Council has always been prepared to investigate complaints regarding undesirable trade practices and has investigated all such instances brought before it. In all such instances, positive results have been achieved. I will try to answer any questions in regard to any of the programs of the Ontario Food Council, including those which might concern trade practices.

Mr. Chairman: Thank you very much, Mr. Williams. Mr. MacDonald, please.

Mr. MacDonald: Am I correct that you agree with the Attorney General (Mr. McMurtry) that these discounts which have kept recurring over the years are not illegal?

Mr. D. Williams: Yes, I do.

Mr. MacDonald: If they're not illegal, why is it you periodically intervene and persuade them to discontinue them, whenever it is drawn to your attention and there is enough public attention focused on it?

Mr. D. Williams: Because in some cases we feel that they're undesirable.

Mr. MacDonald: Which cases?

Mr. D. Williams: In certain cases, as I have explained in my submission, when we have dealt with these special discounts that have been brought to our attention by some organizations, such as the Ontario Fruit and Vegetable Growers' Association, the cattlemen's association and so on, when we have deemed them to be undesirable—it may not be illegal; we refer you to the act, which gives what authority we do have, which admittedly is not very much, under section 6(3).

Mr. MacDonald: As the committee has been reminded on many occasions, we had an emergence of this problem in 1972; you intervened and they stopped it. As reported in the annual report of the Ministry of Agriculture and Food for the year ended March 31, 1977, with regard to meat, which

you repeat here, you intervened and they stopped.

The issue was raised recently and you had a number of rumours, as you reported to the minister in your memo of the latter part of April or early May; again, you intervened and they stopped it.

If they're undesirable, and you have to intervene so frequently, do you not think that it would be advisable to have a law or regulation that forbids their use so that you don't have to be policing so persistently to stop their use?

Mr. D. Williams: I don't think that I should give my opinion in regard to that. I think that sort of action has to be recommended by people other than myself.

Mr. MacDonald: Is it not a function of the food council to make recommendations to the minister with regard to practices in the merchandising of food which he can then take under consideration for the passage of statutes and/or regulations to cope with it?

Mr. D. Williams: I think this is probably correct, but the food council in any of its discussions in regard to these matters has not recommended any further legislation in connection with trade practices.

Mr. MacDonald: Perhaps that gets us to a point that I wanted to come to later. How do you expect a council that is made up of the processors, the wholesalers and the retailers to make recommendations for further government regulation in their area? Is that not likely the most unlikely area to have a recommendation for further government intervention, even though you deem it to be an unwise practice?

Mr. D. Williams: No, I wouldn't say so, Mr. MacDonald. I think just the opposite. I think that it's a very interesting exercise, and it has proven so through many years, to get these different segments of the industry together. I think that if you had the opportunity of sitting in on some of the discussions we've had on some of these matters and others, you might be very surprised at the type of discussions which take place and the very fair way in which each segment seems to arrive at certain conclusions as a result of understanding each other's problems a little better.

If you will look back—I guess we could look back to 1963, when the Ontario Food Council was first formed—it was one of the hopes and ideas that the food council, along with these different groups, which are after all interdependent, would be able to work together and discuss such matters that might

come up in front of them, whether they affect one segment or the other segment. No, I would disagree with you. I think that it's just the opposite.

Mr. MacDonald: They have common problems that they may discuss. But since we've had much testimony to indicate that part of the problem in this industry is that there's a growing concentration of power at the retailers' level, and therefore they're able to exact volume discounts and various other kinds of discounts because of the exercise of their power, do you not think it would be wise rather than having your life bedevilled as chairman of the food council with the very frequent necessity of intervening to remove what you yourself say is an undesirable practice, why shouldn't you forbid it by law if it is undesirable and, every time it is drawn to your attention, you intervene and persuade them to discontinue?

[10:00]

Mr. D. Williams: I don't know quite how to answer that, except to say that there are probably a lot of things in this world that are very undesirable that are not covered by statute and yet sometimes, under certain circumstances, some of those things are discontinued.

Mr. Eaton: Excuse me, Mr. Chairman, there was a mention that retailers, wholesalers and also producers and consumers sit on that group during these discussions.

Mr. MacDonald: I don't want to get distracted in my line of questioning.

Mr. Eaton: I didn't mean to do that.

Mr. MacDonald: The consumers are involved in this food council and Mrs. Shand who is now a member of the food council, was appointed last February. She has attended one meeting, and I think it is rather significant that the most clear-cut and forthright request for an investigation into all of these practices has come from Barbara Shand as chairman of the Ontario section of the CAC even though she happens to be a member of your food council.

Mr. D. Williams: We are very glad to have Mrs. Shand on the food council. Unfortunately, she has not been on the food council long enough to get into full discussions in regard to trade practices, and I think she mentioned this when she was in front of this committee. I think Mrs. Shand will make a tremendous contribution and I think that we welcome any ideas that she might have. Another thought that comes to mind—

Mr. MacDonald: I'm sorry, before you leave that, you have talked about Mrs. Shand, how

do you expect her to know about merchandising when she was appointed to the council last September and there has been one meeting of the council since then?

Mr. D. Williams: Two.

Mr. MacDonald: When she testified, she said one.

Mr. D. Williams: She said she had attended two meetings.

Mr. MacDonald: Two? I'm sorry. To what extent do you discuss the merchandising practices that are the concern of this committee?

Mr. D. Williams: We certainly don't discuss them at every meeting, because we have a number of other matters which are coming up for discussion, but such trade practice matters have been discussed from time to time and, certainly after this particular exercise that we have all been going through, I am sure that we will have a lot of further discussion.

Mr. MacDonald: Do you not think it is rather significant that a member of your food council should come before this committee and in a forthright way call for a fuller investigation of all that is going on in the food industry and, therefore, obviously is not satisfied with what the food council is doing, even though she is a new member of it?

Mr. D. Williams: I think it is rather unfair to say that she is not satisfied. I think Mrs. Shand was representing the Consumers' Association of Ontario and anything that she had to say in front of this committee was said in regard to that particular organization. I don't think it is fair to say that she is dissatisfied with what the food council may or may not be doing in the area of trade practices at all. I gather you are still really discussing this question to some extent about legislation.

Mr. MacDonald: Just a minute, before you leave Mrs. Shand, because you have flattered her, saying she is going to be a very useful member at this time—

Mr. D. Williams: I'm hoping.

Mr. MacDonald: Right; but why would she call for a fuller investigation if she was satisfied that the food council is doing the job?

Mr. D. Williams: I think she also explained that she had not really been with the food council long enough and that she had only attended two meetings and at both of those meetings the whole matter of trade practices had not been discussed.

Mr. MacDonald: But clearly she has come to the conclusion that the food council—

Mr. D. Williams: No, I don't think so. I'm sorry, I don't agree with you.

Mr. MacDonald: Just a minutes, now, Mr. Chairman, if Mrs. Shand asked for a fuller investigation of a job that presumably is a job of the food council, she must have come to the conclusion—as a person, whether she happens to be president of the CAC and also a member of the food council—that the merchandising practices have not been surveyed and have not been regulated in an adequate way in the interests of the food industry as a whole and the consumers in particular.

Mr. D. Williams: You may be drawing that conclusion, I'm not.

Getting back to the recommendation for legislation, I think we have outlined some discount problems that have come up specifically and have been referred to the food council. I repeat that on those occasions, when they have been reported to us and when we have investigated them, found some substance to them and taken them to the chain stores, we have been rather successful in getting discontinuance of these practices. One would wonder why it would be necessary to get into a lot of trade practice legislation when it is possible to take care of some of these matters.

Mr. MacDonald: I won't argue this point further. I assert the alternative proposition, that if the problem emerges so frequently and if you always deem it to be undesirable, intervene and persuade them for the time being to discontinue it, but it emerges again a few months or a year or so down the road, why wouldn't it be wiser to have a law to say don't do it again because it's going to be against the law?

Mr. D. Williams: I don't think I want to comment further on that, Mr. MacDonald, except to say that I haven't had a lot of experience with legislation in this area in other jurisdictions, but I could probably say it's very difficult to pass a law which will take care of all situations. When you start passing laws, there are always some new things that come along. I don't think we should be naive about this thing. I think we should realize that when something is discontinued, it isn't the end for all time to certain difficulties that may come up in trade practice areas.

Mr. MacDonald: In this instance, that's obviously true, as experience has proven.

Mr. D. Williams: At least, we have an organization that is able to get some action in this regard when such more serious types of discounts are brought to our attention.

Mr. MacDonald: Okay. We have a difference in philosophy, let's leave it at that. Let me proceed.

Hon. W. Newman: You'd legislate everything, wouldn't you?

Mr. MacDonald: No, I wouldn't legislate everything. I would legislate those things which you deem to be undesirable and make it illegal to do them. That's plain common sense. If you don't want murder, you pass laws against murder, hoping it will dissuade people.

Mr. Eaton: It still happens.

Mr. MacDonald: It still happens, right.

Mr. Chairman: Let's have a little order here; one speaker at a time.

Mr. MacDonald: You're making a mockery of your whole position as a government, I would say. However, let me proceed, I don't want to argue the case.

In your memorandum to the minister dated May 12, you stated: "I am constantly hearing rumours about discounts and special deals in this area, but normally do not bring such matters specifically to your attention unless I can find some substance to such rumours based on known facts." Is it not correct that people drew this to your attention and that your response to them was that it wasn't payola as back in 1969, but this was now part of company policy, and therefore it didn't need to be investigated?

Mr. D. Williams: I don't follow your question here.

Mr. MacDonald: Is it not true that people in the five or six weeks prior to the emergence of this in the House drew this to your attention and that you, in effect, dismissed it saying that there was nothing wrong here because it was now part of company policy?

Mr. D. Williams: That's not so.

Mr. MacDonald: If we have a fuller investigation, I can bring witnesses who will deny that and who will say that Mr. Williams said to them that this was part of company policy and wasn't comparable to the kind of payola—

Hon. W. Newman: On a point of order. We're hearing so many innuendoes tonight. We have a lawyer who can be given information in confidence. That's a resolution that you passed.

Mr. MacDonald: That's right.

Hon. W. Newman: Let's stop the innuendoes then and pass the information on to the appropriate people.

Mr. T. P. Reid: That wasn't an innuendo, it was a charge.

Mr. MacDonald: That wasn't innuendo, I am stating that people raised this with Mr. Williams and Mr. Williams, in effect, said

there was nothing wrong with it because it is now company policy; it isn't payola of a fraudulent nature, a fraud case, it is company policy; it is part of normal merchandising practices and, therefore, it didn't need to be proceeded with.

Mr. D. Williams: Sorry, I can't agree with that. I heard, as a lot of people have heard—and you've heard evidence of this from a number of people during these hearings—that there was a lot of scuttlebutt, call it rumour; I think Mr. Lindley referred to it as the rumour mill, and other people referred to it as the grapevine, or jungle drums beating down at the Ontario Food Terminal, or whatever you want to call it. There certainly was more activity in the area of rumours floating around about the new proposed programs from Dominion Stores and the programs that had already been in force from Loblaw's.

I was talking to not just one person; I was talking to a number of people who passed on second-hand and third-hand information to me that these sorts of things were happening. At no time did I agree, or would I ever agree, that some of these special discount programs that have been tried on for size by some of the chain stores from time to time were at all desirable at any time. I would certainly not tell people at any time, nor did I tell people at any time, that these were desirable practices, or that if they were found to be undesirable that we would not take action.

You must remember, Mr. MacDonald, that it's very easy to hear a lot of these rumours and to hear these things second-hand and third-hand. Mr. Hannam was in this position and Mr. Lindley was in this position. When you then start getting something a little firmer—it doesn't happen overnight, you know—when you start getting something a little firmer and something which I have referred to as having some substance, then you can start doing something about it.

Mr. MacDonald: Who's got to provide the substance?

Mr. D. Williams: You have to get this from input from people who are willing to come forward and make complaints. I would suggest that our biggest success in the past on such occasions has been when organizations such as the fruit and vegetable growers' association and the cattlemen's association—and it could very well be the federation of agriculture, who have never made a complaint to us at any time—come forward with some matters of substance in the area of undesirable trade practices. It would be most helpful for us to take it from there and see

what we could do with it. This is about the way we have operated.

Mr. MacDonald: Mr. Williams, I just don't understand how your position is credible. When I raise the question of rumours and the difficulty in getting documentation, the minister intervenes and says this is scuttlebutt, we're on a witch hunt. You yourself have testified in your statement here that when you finally got on top of the scuttlebutt, which emerges every year, every two years, every three years, regularly down through the last five years, when you have got on top of it you've documented it.

Mr. S. Smith: They find a witch.

Mr. MacDonald: Dominion had it, Loblaw's had it, Miracle Mart had it, everybody had it. Who was sleeping at the switch when all this emerged?

Mr. D. Williams: No, everybody did not have it.

Mr. MacDonald: Just a minute. The ones you have documented had it and you have confirmed in your statement that they had it. Whose responsibility is it to sleep at the switch while this constantly recurs?

Mr. D. Williams: It's not a matter of sleeping at the switch. I think I have explained in my statement that we do not have the mandate to go around with a large staff of people trying to check on these things all of the time. We have a lot of other programs and we do not have a large staff. We do not have a section of the food council which has the responsibility or the mandate to go around on an ongoing basis throughout the industry to try to work with everybody in the rumour mill and that type of thing. Upon complaint—
[10:15]

Mr. MacDonald: Complaint from whom?

Mr. D. Williams: Upon complaint from some person or some organization that is willing to give us something of substance to go on as a start.

Mr. MacDonald: In other words, the person who is the victim of the problem has to provide the evidence before you as the watchdog will move in to do something about the situation?

Mr. D. Williams: Not necessarily. I suggested that the best results we have had have been from organizations. Towards the end of his testimony when Mr. Lindley was in front of this committee, he said he thought they should have a program in the Ontario Fruit and Vegetable Growers' Association for monitoring this situation keeping in touch with their growers and having their growers keep

in touch with their organization when any matters are brought to their attention.

Mr. MacDonald: In your memo, Mr. Williams, of March 2, paragraph three, you said that without any formal complaint you proceeded to look at it. When do you move without any formal complaint and when do you have to wait until there is a formal complaint and somebody has provided the substance so that your job is really done?

Mr. D. Williams: Basically, I will stick to what I have said about responsibility. I think the responsibility is on producers or processors and organizations or individuals to come forward to me or to the food council, we will keep it in confidence, but we have to know what is going on before we can go further. You can't walk into a retail store executive office and start pointing your finger at them unless you have something to go on.

Mr. MacDonald: Mr. Williams, we've had Mr. Pawlowski of the Ontario Food Processors' Association before us who says that he doesn't intervene for the group and inquire as to the merchandising practices of his members. He studiously avoids that. We've had representatives of the Retail Council of Canada before us who say they don't intervene as to the practices of their members. Every one of these organizations on which you say you count to get complaints from have said that they deliberately do not intervene and that it's not their responsibility. They keep out of it, so to speak, because if they do they may get into a combines situation. Therefore, who is going to bring the complaints to you? I come back to your point. Why did you move in this instance without any formal complaint, when in many other cases you use the excuse that you don't have a formal complaint and that, therefore, you can't go witch-hunting?

Mr. D. Williams: I stretched the rules a little bit in this particular instance, Mr. MacDonald, because no one was coming forward with a complaint. I think perhaps there were some organizations that may have had some information, but they weren't coming forward. I took it to the minister and discussed it with him. The minister told me to go ahead and check into it as far as the chain stores were concerned, and I did this. That's the answer.

Mr. Chairman: Mr. MacDonald, I hate to interrupt, but we have gone about 25 minutes in your cross-examination of Mr. Williams. We have very little time left. I gather there is a vote in the House.

Mr. MacDonald: I have about eight or 10 other question, but in the interest of fairness, I shall give others a chance to get into the picture.

Mr. Ruston: The vote will be at 10:26, that is in about six minutes.

Mr. T. P. Reid: It takes some of us older members that long to get up there.

Hon. W. Newman: Up to Rainy River you mean.

Mr. Chairman: I think we had better adjourn until we have the vote and then perhaps come back and wind it up. Is that the wish of the committee?

Mr. S. Smith: I haven't asked this gentleman any questions yet.

Mr. Riddell: There's equal time.

Mr. Eaton: I guess we're on before you fellows.

Mr. S. Smith: I don't mind. I'm quite prepared to listen to the Conservatives' questions—

Mr. MacDonald: We've sat until 11 o'clock before.

Mr. S. Smith: We'll come back but not wind it up, as far as I know.

Mr. Chairman: We have a time limitation, Mr. Smith. We're not going to stay here all night.

Mr. S. Smith: Then we will bring the witness back, I presume.

Mr. Chairman: Yes. We shall go up and vote and come back as soon as the vote is over.

Mr. J. A. Taylor: How late are you going to sit?

Mr. Chairman: We'll have to go about 10 minutes beyond our normal time. We were five minutes late getting started.

Mr. S. Smith: Is it the committee's wish, in fairness, to hear Mr. MacDonald's remaining questions and to give the Liberals a chance to ask any questions of this key witness—

Mr. Chairman: You took up 40 minutes—

Mr. S. Smith: —or does the committee hope that we won't ask any questions of this witness?

Mr. Chairman: I'll just give you a résumé. You took up 40 minutes of the last witness, the PCs five, and the NDP 24.

Mr. Riddell: In all fairness, Mr. Chairman—

Mr. S. Smith: Look, the chairman of the food council is here; I intend to question him.

Mr. Chairman: Let's adjourn for the vote and then come back.

Mr. MacDonald: Mr. Chairman, I move that we adjourn now and come back and sit until at least 11 o'clock?

Mr. S. Smith: Yes. I second that. That matter is before us.

Mr. Chairman: We are going well beyond our time.

Mr. MacDonald: You have a motion, Mr. Chairman. Put the question.

Mr. S. Smith: It's a motion; put the question.

Mr. Chairman: Is the committee in favour of sitting until 11 o'clock after returning from the House?

Motion agreed to.

The committee recessed for a vote in the House.

On resumption:

Mr. Chairman: Mr. Taylor, did you want to make some comments?

Mr. J. A. Taylor: Is there some motion to sit beyond the normal hours of the House?

Mr. S. Smith: Until 11 o'clock. It was passed.

Mr. J. A. Taylor: It wasn't unanimous.

Mr. Chairman: I'd like to remind the members of the committee that if we go up to 11 o'clock it is deducted off our meeting for Tuesday night.

Mr. J. A. Taylor: That's not the point, Mr. Chairman, is it?

Mr. Chairman: We're rapidly running out of our 20 hours that we've allotted.

Mr. J. A. Taylor: That's not the point, whether the meter is running or not, in terms of the time for the estimates; the point is whether we should be sitting beyond the regular hours of the House.

Mr. MacDonald: We have done so many times in this committee.

Mr. J. A. Taylor: That should require a unanimous approval to sit beyond 10:30.

Mr. MacDonald: We got a unanimous vote.

Mr. J. A. Taylor: You certainly did not.

Mr. MacDonald: Nobody voted against it. We recessed for the vote in the House.

Mr. Chairman: We recessed at 10:21.

Mr. MacDonald: Mr. Chairman, on a point of order, my motion was that we recess for the vote in the House and that we sit to 11 o'clock and I noted with interest that nobody opposed it.

Mr. S. Smith: He is correct.

Mr. Chairman: Very well. Are you all through, Mr. MacDonald?

Mr. MacDonald: I have one question, Mr. Chairman. You note, Mr. Williams, in your initial statement, that the terms of office of

four members of the board have expired which four?

Mr. D. Williams: Mr. Piott, Mr. Jackson, Mr. Leckie and Mr. Mitchell.

Mr. MacDonald: And there have been no new appointments for those positions?

Mr. D. Williams: Not as yet.

Hon. W. Newman: Mr. Chairman, may I explain that? I don't think it's fair to ask the chairman of the Ontario Food Council. Normally they would have been reappointed. I thought that in fairness to this committee, these people would not be reappointed until such time as we're finished with these discussions.

Mr. MacDonald: That's fine, Mr. Minister. I appreciate that comment. I have no more questions of Mr. Williams, but I have a comment. In one sense, the food council is the appropriate body to take a continuing look into the food industry because we've done no more than scratch the surface in this couple of weeks. But the food council, as set up, is totally incapable of doing the job. They would be investigating themselves. When you've got the retailers, the wholesalers and the food processors—some of whom dare not speak, some of whom hold the whip hand of economic power—they cannot investigate them. They are the wrong body to investigate themselves if you want to clean up the situation.

Mr. Riddell: They are the apologists for the processors and retailers.

Mr. MacDonald: They are the apologists, that's right. So I just leave that point for the moment, because we'll have to consider it later.

Hon. W. Newman: Mr. Chairman, on a point of order. I can't let that go by. There is a consumers' group which meets on a regular basis. I believe if you go to page three of the brief, you'll see that they meet and make recommendations. The Ontario division and the federal associations make recommendations. Are you suggesting those people are not capable?

Mr. MacDonald: May I remind you that Mrs. Barbara Shand, a member of the council, came before this committee and said that there should be a fuller inquiry, because obviously the food council and/or any other group, including the farm products marketing board, had not been doing the job.

Hon. W. Newman: No, she did not say that.

Mr. MacDonald: She called for a fuller inquiry.

Hon. W. Newman: That's right. After two meetings on this, she hadn't discussed it. Come on now, don't put words into the mouth of somebody who isn't here.

Mr. MacDonald: Clearly, if she wanted a fuller inquiry, she was making that plea on the basis it was needed; and if it was needed, the appropriate bodies for doing it hadn't been doing their job.

Mr. Chairman: Mr. MacDonald, in all fairness to Mr. Smith I think we should let Mr. Smith have the floor now.

Mr. S. Smith: Thank you very much. Mr. Williams, I just have some brief questions and I hope they won't take too long.

I read section 6, subsection 3, of the Ontario Producers, Processors, Distributors and Consumers Food Council Act to say the food council may receive complaints and collect data respecting trade practices and so on. I understood you to say that, basically, you don't look into these matters unless you receive complaints, and that you actually sort of bent the rules in a most recent case which you discussed with the minister. Do you read section 6(3) to mean that you must not collect the data until you have received a complaint? I just read it that you may do both. You may receive complaints and you may collect data. Do we have a difference of interpretation here, sir?

Mr. D. Williams: Yes, I think we have.

Mr. S. Smith: Have you ever had that clarified?

Mr. D. Williams: No, I think we could probably take a further look at that, but to date this is the way we have operated.

Mr. S. Smith: I see. Do you have any policy directive from the ministry regarding how to respect section 6(3)?

Mr. D. Williams: No.

Mr. S. Smith: Okay. On page nine of your statement, sir, you refer to a March 10, 1977, situation with Dominion Stores on meat where one and a half cents per pound was added to the bill and then paid to the packer, and then the packer would remit it back to Dominion Stores. You attached correspondence from the Canadian Cattlemen's Association suggesting that "in this manner Dominion Stores hopes to consolidate some revenue in head office and encourage greater productivity at the retail level" by this odd practice.

What do you understand by that? You're the chairman of the Ontario Food Council. The matter was brought to your attention. You undoubtedly looked into this. What does Dominion Stores gain out of this? Do you

get the feeling, for instance, that when Dominion Stores says that it only makes one per cent on their food operation that, in point of fact, some of this additional revenue is channeled to head office and doesn't show up as money made on food, or that the company's costs for food are somewhat inflated because the invoice is higher than the actual cost? Have you figured it out at all? Do you have anything to suggest as chairman of the food council about that?

Mr. D. Williams: No, I'm not going to second guess the reasons why Dominion Stores hoped to do this. It was suggested in the Canadian Cattlemen's Association letter, attachment (d), what Dominion Stores Limited hoped to achieve.

Mr. S. Smith: Yes, I read that in the letter, sir. I just wondered if you, as chairman of the food council, had any knowledge as to whether, when Dominion Stores claims it's making one per cent on food, they include this kind of thing or not. That is all I'm asking.

Mr. D. Williams: I don't know whether they do.

Mr. S. Smith: You don't know that answer? This practice was regarded as a very distasteful one, I gather, by the author of that letter and he said: "In simplest terms the invoice that is involved is simply a false statement and no rationalization can alter that fact." Mr. Hedley says that, or whoever it is. I can't read the signature, I'm sorry. There are two signatures on it but I can't read the other one. In any event, the question is: Do you agree that it's basically a distasteful practice?

Mr. D. Williams: You can use various terms for this practice. It was quite obvious that the meat packers did not consider this to be the type of practice they wanted to participate in.

Mr. S. Smith: What was your opinion of the practice, sir? Did you have an opinion?

Mr. D. Williams: Any opinion that I had was that I didn't think this was a necessary practice.

Mr. S. Smith: Did you find it undesirable or merely unnecessary?

Mr. D. Williams: I found it undesirable.

[10:45]

Mr. S. Smith: I see; and you asked them to discontinue that, I notice, which they did. Did you tell the minister at the time of this practice?

Mr. D. Williams: Yes, the minister knew about this.

Mr. S. Smith: The minister did know of that particular practice?

Hon. W. Newman: Mr. Chairman, I would like to clarify one thing. I'm not exactly sure—it was brought to my attention; I was told that it was discontinued—I'm not really positive whether it ever really got started.

Mr. S. Smith: I take it this was back around that time that you were told about it, Mr. Minister? Just to be clear, it was in 1977 when you were told about it?

Hon. W. Newman: Yes.

Mr. S. Smith: Okay. Mr. Williams, we've heard a number of witnesses, including egg packers and so on, come here to say that there have been many instances whereby they've been asked to raise the price of the eggs, for instance, to Loblaws, I think it was—I think that was suggested—and then rebate the amount of the increase back; they've been told to raise their price and then rebate it back, similar to this meat situation. Did you know anything about that? Had you ever heard of that?

Mr. D. Williams: No, I hadn't.

Mr. S. Smith: Had you ever heard of Inter-save, for instance, until the recent debate in the House?

Mr. D. Williams: I had heard of Inter-save, but I wasn't completely sure of all of their functions.

Mr. S. Smith: Were you ever aware, as chairman of the food council, that it was a procedure at Loblaws with regard to egg shippers to ask them to increase the price and then to rebate the difference?

Mr. D. Williams: No, I was not.

Mr. S. Smith: Were you personally aware of any of the practices that we've been hearing about during these hearings? By that I mean the matter of volume discounts, listing fees, threats to delist, matters of co-operative advertising and other promotional packages of this kind? Were you yourself aware of any of these practices as chairman of the food council?

Mr. D. Williams: I've been aware of many of these programs for many years, because they've been in effect for many years, and everybody in the food business has known about these types of discounts, volume rebates, case allowances, co-operative advertising and promotional allowances. Yes, they're common knowledge and have been for as long as I can remember.

Mr. S. Smith: Yes, indeed. Are you satisfied, and if you are, could you tell me on what research you base this satisfaction, that

in each instance every one of those allowances has been offered by the supplier rather than requested or pressured by the chain store?

Mr. D. Williams: No, I'm not aware in each instance, and we have had no specific complaints in regard to any of these practices which you are describing.

Mr. S. Smith: I understand. Are you yourself convinced that the volume rebates, for instance, genuinely reflect the real benefits of doing business in volume and are not in any way a coercion forced upon a supplier by the very large retailers who control so much of the market with which the supplier is pretty well obligated to do business?

Mr. D. Williams: You're asking for my opinion—

Mr. S. Smith: Yes, sir.

Mr. D. Williams: It's not necessarily the opinion of the food council but, in my opinion, the volume rebates that have been in effect for many years are quite well accepted and suppliers by and large are quite happy with them.

Mr. S. Smith: They may well be, but the question is whether they genuinely relate to the benefits of doing business in volume. You can see that if they go beyond that, then they turn out to be a way in which a large company gets an advantage which is taken out of the hide, pretty well, of a small company.

Mr. D. Williams: No such instances have been brought to our attention.

Mr. S. Smith: You've never felt that way about those? The co-operative advertising package is also well accepted, apparently, including some in which trips for the store managers apparently were part of the deals that we heard about. As regards these co-operative promotional packages, have you ever felt that in some instances the supplier is paying more than the genuine cost of the advertising itself?

Mr. D. Williams: No. I have no information in regard to that.

Mr. S. Smith: You haven't, however, conducted any investigations in this regard?

Mr. D. Williams: No, we have not.

Mr. S. Smith: That's because you felt that your mandate was restricted to looking into complaints?

Mr. D. Williams: That's correct.

Mr. S. Smith: I see. You mention that the Miracle Mart one per cent discount and rebate arrangement came to your attention as well. Did you bring that one to the attention of the minister?

Mr. D. Williams: Yes, I did.

Mr. S. Smith: You don't recall the date. I guess it was some time after April 27, judging from the way it's written here?

Mr. D. Williams: Yes, it was.

Mr. S. Smith: Basically, I guess what I am really asking you is whether, in your years of service with the food council, where you have an overall view of the food industry in this province, you have ever worried about whether the discounts taken by the larger firms have in any way been a reflection of unfair competition? But I take it that you have no such worries?

Mr. D. Williams: No, I haven't.

Mr. S. Smith: What about threats to delist? Have you ever heard of threats to delist a product, either temporarily to teach somebody a lesson or for the longer term?

Mr. D. Williams: I have heard of no specific instances.

Mr. S. Smith: Did you know there were 26 per cent discounts in the dairy industry?

Mr. D. Williams: I did not. I wasn't aware of the percentage of discounts in the dairy industry whatsoever.

Mr. S. Smith: Do you find 26 per cent unusual or reasonable, or do you have any opinion about it at all?

Mr. D. Williams: The only time I have heard of these is when they were brought up in front of this committee, and I wasn't any less or any more startled than anybody else.

Mr. S. Smith: Were you startled at all?

Mr. D. Williams: Not really.

Mr. S. Smith: Then how do you know if you weren't any more or less startled than anyone else?

Interjection.

Mr. S. Smith: He said it, I didn't. All right, one final—it was too tempting. If you don't mind, Mr. Chairman, one final question. Has anybody on the food council ever questioned your somewhat restrictive interpretation of section 6(3)? Has anybody on the food council ever suggested that you really had broader powers to look at these things and not just sit back and wait for somebody brave enough to bring you an official complaint?

Mr. D. Williams: No.

Mr. S. Smith: Nobody has ever suggested that?

Mr. D. Williams: No, they haven't.

Mr. S. Smith: Thank you very much.

Mr. Eaton: I would like to come back to the question of the presentation of the Con-

sumers' Association of Canada which Mr. MacDonald likes to interpret as being a shot at the food council. It doesn't mention the food council, by the way, anywhere in the presentation or refer to the job that the food council has done. Who was the representative of the consumers' association on the food council prior to the appointment of Mrs. Shand?

Mr. D. Williams: The previous representative was Mrs. Donna Gordon.

Mr. Eaton: And for how long was she on there?

Mr. D. Williams: Three years.

Mr. Eaton: Did she, as a member of the consumers' association, ever make any suggestion that the food council wasn't doing their job?

Mr. D. Williams: No, she did not.

Mr. Eaton: To you, or to you, Mr. Minister? Did she ever suggest that?

Hon. W. Newman: No.

Mr. Eaton: Who was the prior representative to her through the period of some of these investigations?

Mr. D. Williams: Mrs. Brechin.

Mr. Eaton: Did Mrs. Brechin ever suggest that the food council wasn't doing its job?

Mr. D. Williams: No, she did not.

Mr. Eaton: I think that probably clearly states it. They represented consumers during the period when some of the investigations took place and there was some questioning on the practices, and they then felt the consumers' association, through their representation, was seeing that these practices were reviewed. They were reasonably satisfied with the action that the food council was taking when these complaints were brought to light. Were there any other cases or allegations brought to your attention by any producer groups or the consumers' association itself?

Mr. D. Williams: No.

Mr. Eaton: Did you, when you had indications of allegations, approach any of the marketing boards asking if they had any facts or information they would like to have you follow up on?

Mr. D. Williams: No, I did not.

Mr. Eaton: Did they, at any time, come forth with that kind of information when you had the problems before? Did they bring that information and ask you to investigate it?

Mr. D. Williams: No.

Mr. Eaton: How, then, did the investigation prior to that come about? Would the food

council automatically go at it, or where did the suggestion come from?

Mr. D. Williams: Which practice?

Mr. Eaton: Back in 1968, you referred to investigations.

Mr. D. Williams: You are talking about the payola report?

Mr. Eaton: Yes. Did it come from the marketing board?

Mr. D. Williams: We spent a lot of time on the payola report. It is all documented in the report as to how this came to light, it was through the directors of the Sun Parlour. It was a co-operative—

Mr. Eaton: So it was a producer group, a shipping group, that brought that to your attention? Did it come directly to your attention?

Mr. D. Williams: It came directly to my attention.

Mr. Eaton: And after that information was supplied to the council, the council made a decision that they should recommend a further investigation on it?

Mr. D. Williams: That is correct.

Mr. Eaton: Even that recommendation would go to the minister, would it?

Mr. D. Williams: Yes.

Mr. Eaton: The government would direct you to act on that—to carry out the inquiry?

Mr. D. Williams: That is correct.

Mr. Eaton: I think that is all I have to ask, Mr. Chairman. Thank you.

Hon. W. Newman: Just two quick questions, Mr. Chairman. Is it true that independent grocery stores have increased in the last two years? Maybe you don't know that, but it has been brought out at the meeting here that the independents' share of the market, outside of the corporate giants, has increased in the last two years. Would you know that, or maybe that is an unfair question?

Mr. D. Williams: I would not know that, Mr. Minister.

Hon. W. Newman: Right. Just a final comment, Mr. Chairman. I think in fairness to the chairman of the food council he is doing a good job. I believe he has outlined very definitely the cases that have been brought to his attention, and in some cases he has acted with wisdom and good care. But I would just point out to you in passing that the police do not act unless they get complaints. At least the chairman of the food council acts even on rumours sometimes.

Mr. Chairman: Thank you, Mr. Minister.

Hon. W. Newman: I'm just talking about the little witch hunt you're on, Mr. Smith.

Mr. Chairman: Shall item 2 of vote 1804 carry then?

Item 2, of vote 1804 agreed to.

The committee adjourned at 11 p.m.

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No. R-30

Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Ministry of Agriculture and Food Annual Report, 1976-77.

Second Session, 31st Parliament

Tuesday, June 20, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, JUNE 20, 1978

The committee met at 7:40 p.m.

ESTIMATES, MINISTRY OF AGRICULTURE AND FOOD

(continued)

Mr. Chairman: First of all, I would like to welcome, on behalf of the members of the committee, Mr. Len Bawtree, MLA, one of our colleagues, who is chairman of the select standing committee on agriculture from British Columbia; and Mr. Robin Smith of Robin Smith Consultants, the co-ordinator of Phase 2, and Norman S. Duce, director of research, DMR Applied Management. Gentlemen, I would like to thank you very much for coming here tonight and appearing before our committee.

I will also ask the minister to make a few opening comments.

Hon. W. Newman: Thank you very much, Mr. Chairman. On behalf of the whole committee, I believe I can say that the committee was unanimous in inviting you gentlemen down. I appreciate your efforts on such short notice, Mr. Bawtree, Mr. Smith and Mr. Duce, to come down before a standing committee of the Legislature here.

Really, in this committee, we are just an extension of the Legislature and the same rules hold true here as they do upstairs. We are very grateful to you because we know you have done extensive work in looking at the agricultural industry, and of course we are specifically in this committee, by and large looking at the report which you sent down to us on rebates and allowances in British Columbia. We felt that perhaps in Ontario we have some similar situations; maybe a little more competitive situation here than you have out there, I am not sure. But I do welcome you down and want to thank you very much for putting yourselves out, because I know it has been a very difficult time to get your reports tabled in the House last Thursday and be down here for tonight.

I would just like to give my personal thanks. I am sure, on behalf of the government and all parties, we would like to thank you for coming down tonight to explain to us exactly what you have been doing. I understand you are prepared to accept questions

from the committee and I think that is great. It will give us some idea of the amount of intensive work that you have been doing over the past period of time. Thank you very much, again, for coming.

Mr. Chairman: Thank you very much, Mr. Minister.

Any further opening comments?

All the members of the committee have copies of the report on rebates and allowances in the British Columbia food industry, which were handed out yesterday. I am sure everybody read them very carefully; and also the scope and objectives of the select standing committee on agriculture, which was just passed out this evening.

Mr. Smith, would you like to start the proceedings?

Hon. W. Newman: Mr. Chairman, if I may, I am not exactly sure of the format tonight, but I believe the understanding was that we would ask the gentlemen from British Columbia to outline the scope of work they are doing, the kind of reports they are doing, with perhaps a special reference to the rebates and allowances. If that is agreeable to the committee, they would perhaps outline it to us, either Mr. Bawtree or Mr. Smith or Mr. Duce, whoever would like to do it, and then we could go into questions after that.

Mr. Chairman: Very well, Mr. Minister. We could call on either of the three gentlemen. Mr. Bawtree, would you like to start, please?

Mr. Bawtree: Thank you, Mr. Chairman. It is a pleasure for me to be down here to meet my colleagues from Ontario. We have had a very interesting committee going in Victoria, in British Columbia, and it has been going on for somewhat over a year. We were supposed to be finished in a year, but as usual, things do not always turn out as we thought they were going to. It was decided about a year and a half ago that we should look into the total industry in British Columbia, right from the raw land resource that we had in the province through to the retail shelf, so we split it up into three different phases, or possibly four. The main three phases were: first, to look at the land resource and to see how much we had and what it was capable of; in the second phase

we wanted to see what our costs of production were, because we always felt we were having great difficulty in competing with prices such as in Ontario, Washington and California; and then we went from there to see how difficult it was to get the product onto the retail shelf, because we all agreed that unless you can get your food or your product onto the shelf so that some customer can buy it, it really does not do us an awful lot of good.

[7:45]

We could have gone the rather rigid route, I suppose, but we didn't. We kept our hearings pretty informal; we went around the province and had a lot of people make presentations to us, all on an informal basis.

Then we got into the nitty-gritty. We started out with our research people looking in great detail at various sections in the industry. I might say that we decided that it wasn't really a very productive exercise to go to various facets of the industry and demand certain information and threaten them with all sorts of legal recourse if they didn't do it. So we went the other route and said: "Look, we're trying to take a pretty serious look at what's going on in agriculture in British Columbia and we would like your assistance; and in order to keep as much of the information that you might not want to give us confidential, we'll guarantee that your financial statements and your profit and loss and this sort of thing will not be divulged to the public." Therefore, Mr. Chairman, I would like to just suggest that any questions of this nature I couldn't answer anyway because I have no knowledge of these things and I do not want knowledge of individual corporations or individual companies in British Columbia as far as their profit and loss picture is concerned. Our staff, our consultants have taken the oath and they are not allowed to divulge this sort of information.

However, any information that we have been able to dig up on our own we are quite free to publish and no doubt we will.

I think with these few comments, Mr. Chairman, I would like to suggest that I am quite prepared to answer any questions. I know the two people from our consulting firms are quite prepared, and probably much more able than I, if you want to get into details as to how the inquiry or how the actual information was collected. I have not, obviously, had much opportunity to go into that particular facet of it, but I know that Mr. Smith and Mr. Duce are very well qualified to answer all those sort of questions. In fact, I would suggest that Mr. Smith may be

as knowledgeable about the food industry in Ontario as most people in Ontario are. Thank you.

Mr. Chairman: Thank you very much, Mr. Bawtree. Mr. Smith would you like to make any comment or an opening statement?

Mr. R. Smith: Well, I think that perhaps Mr. Duce should run through in little more detail how our research has gone in a general way, and then I'd be happy to make some comment on the areas under my direction.

Mr. Chairman: Mr. Duce, would you give us some information?

Mr. Duce: I'd be happy to. Essentially, our research project got under way just a little over a year ago. We have had a total of 81 people on our research staff. That doesn't mean that there have been 81 people at any point in time, but that many people came through. We have averaged somewhere in the neighbourhood of 35 to 40 people at any given point in time, about half of them consultants, about half of them employees.

The group of people were organized into the three areas. We discovered very quickly that our biggest problem was lack of information. For example, we went into doing a complete updating of the land-use activity in the province and found that the land-use maps were maps that were drawn in the 1960s from aerial photographs taken in the 1950s. So we stepped out and used up-to-date aerial photographs that were made and prepared a complete new set of land-use maps for all of the province, or at least for the agricultural land within the province.

We expanded our activities in that area to develop a data base which now gives us a very solid indication of where our agricultural land is and what the potential for development of that agricultural land is.

The second phase of our study looked into the cost of production and the marketing board activities, and in that area we have gone out and gathered information on cost of production from two points of view. We've gathered consensus data, which essentially is going in and reviewing typical size farming operations in each of the regions and developing actual costs in connection with those representative farms. We've done that for nine regions in BC. We've done it for seven regions in Alberta, we've done it for six regions throughout the Pacific northwest; we can give very solid comparisons on a commodity basis by region in those areas.

We have also examined the marketing board activity as it operates in the province. There are 11 marketing boards, and a supervisory board that oversees their activities. We

have also examined the marketing order system and how that operates in the United States. We have done a fairly in-depth review of the Alberta marketing board system and their agricultural products marketing council, which is very similar to your operations here.

The third area of our activity has taken in everything beyond the farm gate. We have gone to wholesalers, retailers, distributors, processors, people in the restaurant business, hospitals, various other kinds of institutions. We have examined their costs of food production; we have examined their markup levels; we have looked in detail in a number of areas to what their markups were, what their profitability was. We have examined the degree of integration and concentration in the food industry. We have done a number of detailed surveys with respect to shopper attitudes and why they are buying in certain patterns.

We have examined the extent of consumer hopping across the border in the United States, which is a very significant activity in BC; and also a certain amount of across-the-border shopping in Alberta that occurs along the BC-Alberta border.

From this total wealth of information we determined our scope and objectives; page 13 outlines the original reports that we are going to be preparing. Many of those reports are in complete form and awaiting publication. About eight of them have been released and the rest are awaiting publication and will be released over the next few months.

Our total effort is concentrated on a Phase 1, which is essentially a pulling-together of all of this information and sitting down with the committee to develop new directions to assist them in developing policy which will lead to legislative changes; and to move our research effort from a situation of having new and current information on which to rely, into policy changes at the legislative level—that is the phase that we are moving into now and it seems to be working very well.

One more comment that I would like to make is that we have had the opportunity of working, as research people, with a committee that for some strange reason had been completely devoid of politics. Our committee is basically made up of both sides of the BC legislature, and to this point political questions have not reared their head in either our public hearings or our internal discussions.

Mr. Deans: Very much like ours.

Mr. Chairman: Thank you very much, Mr. Duce. Mr. Smith?

Mr. R. Smith: I would like first to thank Mr. Bawtree for his confidence in me. I don't

profess to be any expert whatsoever on the retailing industry in Ontario; British Columbia and Alberta, perhaps, but I won't extend that further.

One of the ways we went about collecting information, rather than trying to get it through public hearings, was through a direct contact method with industry. We prepared a very extensive questionnaire for information we wanted from all sectors of the processing-distribution-retailing industry. That questionnaire was sent out to industry and followed up, usually with several interviews with top management, and I can safely say with every processor in British Columbia, every broker, every wholesaler, every retail chain—even individual retailers, food service organizations and so on, including the government's purchasing commission.

We covered every area of the food industry we could think of. We had, in most instances, remarkable co-operation. It took some time to convince industry that we wanted information which was of a very confidential nature in most instances, and quite often information they did not have in the form in which we requested it. My staff spent many hours, shall we say persuading various company executives and discussing with them the use of the information we were collecting, the sensitivity of it and so on.

As Mr. Bawtree reiterated, we had an understanding with industry that we were not going to reveal on an individual company basis the information they provided to us. The objective of what we were doing was to lead towards a variety of policy alternatives. We didn't feel those various policies were based on the doings of one corporation or another. All the companies gave us their profit and loss statements, various product costings and other internal financial and management systems that we wanted to see. It has been a matter of the industry learning that we were going to do what we said we would, and we have maintained that degree of trust with them.

You must realize when you look at the list of reports that we are preparing in my sector, which are something like 35 different reports on the processing-distribution-retailing industry, that no one individual report by itself is going to answer all the questions. That is why we have brought it out in this way. It's a complex enough sector that the general public, which is essentially our final audience, won't understand it; and there are also many myths, innuendoes and so on that circulate.

We felt the best way to explain this and build a framework for decision-making was

to break it down into its simplest parts and to explain each part. Rebates and allowances were just among the parts. It was intended that this particular report would come out in a time sequence that had a report on advertising and promotion in the food industry of British Columbia, close to the reports on the wholesale industry and the retail industry, and our final report in that sector, integration and concentration in the BC food industry.

Because there were a number of questions raised in the press in Vancouver, perhaps coming from your hearings here, this prompted some desire on the part of our committee, and on the part of the Legislature, to have a report sooner than we had planned to issue it and out of the context of the other subjects. I say that, not as an apology for the report, but so that you understand it is not supposed to answer every question.

The subject of the impact of advertising and promotion on food costs, and on the food industry, and the various players in the game, will be answered in that particular report; the same in the area of concentration and integration of our industry in that report. I am prepared to talk about those subjects tonight because we have done the majority of our research. But those are not subjects which were part of this particular document in case you thought they were lacking.

I don't think there's much more I can say at this moment. I'm sure you're going to have a lot of questions, so I'll say it all then. I'd like to turn it back to you.

[8:00]

Hon. W. Newman: May I ask you, Mr. Chairman, how you propose to allocate the time here tonight so we don't get into any difficult situation as we have on other evenings? Have you any suggestions?

Mr. Chairman: It's 8 o'clock now. We have until 10:30. That's two and a half hours, 50 minutes per party. Is that satisfactory to everyone?

All right; without further ado, would you like to make a few opening comments, Mr. Minister?

Hon. W. Newman: I have a few questions tonight. Not having had a chance to go through the report in as much detail as I'd like—I do appreciate you air freighting down your report—but only having received it yesterday, I'd like to ask first a few questions.

I don't know whether I should start off with Mr. Bawtree or not. My first question

refers to your report on rebates and allowances. I don't think all members of the committee have a copy of that report; there were only so many sent down and if I remember correctly three went to each caucus, so we may not all have a copy of this report.

On VI, recommendations: "Further public hearings or inquiries dealing with rebates, allowances and discount practices in the British Columbia food industry are not required at this time and should not be undertaken."

I don't know whom I should put this question to, but do you still feel very strongly or are you firmly convinced there's no need for any further inquiries in BC at this point in time?

Mr. Bawtree: That's the conclusion we have come to at this point in time. It might be helpful if I clarified the way this study is being conducted. It's a little different, I suppose, from most inquiries.

These reports that are coming out, including the one we have here, are with the recommendations from the research people. The politicians, the subcommittee and the full committee, will go over them. They do not necessarily have to accept all the recommendations in these reports. They go over them for readability to see if they make sense and if there are any glaring errors in them. After we've done that fine tuning on these reports we will release them.

After we have finished examining all the reports from our research people, the politicians then get back into the game and draw up their own report with the help of their staff and make recommendations to the Legislature in BC. So although there are recommendations in every report, they are not necessarily going to be accepted by the committee.

I would suspect that because of the scope and the number of reports we have there may even be conflicting recommendations from one report to another. Some of the reports are on very specific aspects of agriculture and there could well be conflicting recommendations.

We have found no reason to suspect or believe any further public hearings or inquiries are required, at this point in time into this particular subject.

Hon. W. Newman: You mentioned that all the reports on the various aspects of the food industry are not yet completed. When would you anticipate all the reports would be finished, all things being equal?

Mr. Bawtree: We're expecting reports from the committee will be completed and

ready for filing later on this summer. Some of the research reports may not be quite finished at that time, not because we don't have the information but because of the physical volume of printing. The information will be available to the full committee and it will be able to make its recommendations. If I can keep the committee doing a little bit of work over the summer, hopefully by September we'll have our final report coming out.

Hon. W. Newman: Do any of these reports indicate the effect of discounting on suppliers?

Mr. R. Smith: Yes. When we deal with each individual industry in our commodity reports we will be dealing with the particular effects of various practices—wholesale, retail and so on—on those particular suppliers.

Hon. W. Newman: Are you going to be doing any studies on discounting as it affects the profitability of various companies?

Mr. R. Smith: Yes. The report on profits and food prices will cover that in every sector of the industry.

Hon. W. Newman: To date, on the reports you have tabled or that you can talk about, have you had any indications or have you determined any illegalities at all in the food industry—things that are completely illegal?

Mr. R. Smith: No, we have not, unless you consider the offering and acceptance of premiums, which we have described in the debate report, as an illegality.

Hon. W. Newman: As regards the United States, the US legislation, you mentioned is basically what we would call federal legislation, not state legislation. If there were going to be any legislation, at any time down the road shall we say, because of the various companies that are involved would your BC studies indicate whether it should be done at the provincial level or the federal level?

Mr. R. Smith: I don't think that type of legislation would be valuable at the provincial level. Most companies trade and sell across provincial borders, and to have different regulations and methods and rules and laws from province to province on such things would create great havoc.

I believe it is in the purview of the federal Department of Consumer and Corporate Affairs.

Mr. Duce: If I might just add, our first concern is in terms of the BC community and what changes in legislation are required at that level.

We have not felt at all reluctant, nor have we been encouraged to be reluctant by the committee, to recommend changes in federal legislation where in our view they are required.

One such example is a report which was released recently with respect to capital gains taxation on the family farm, where we made some very specific recommendations that are somewhat different from the federal government's proposed legislation on family farm taxation.

Hon. W. Newman: You mentioned in your report, and I can't give you the exact page, that the US legislation and Canadian legislation perhaps needs further study or looking into—I have forgotten your exact words. Can I ask you why you think it needs further study?

Mr. R. Smith: We all hear that the US system is better, that it is more equitable to the small supplier, perhaps the small independent retailer. But then I also read that members of the US Justice department have other views on that same matter.

I don't profess to be any expert whatsoever on the US system, but having looked over what studies we could find over the years, going back to the 1930s when the Robinson-Patman Act was first proclaimed, I believe people on one side of the border and the other have made reference to how much better the other person's system may be.

In looking at that, I haven't seen evidence of a comparative study of the structural effects the various types of legislation may have caused or may encourage, nor the economic effects of the various legislative methods.

I think the combines investigation branch of the federal Department of Consumer and Corporate Affairs should take a look at that. I have discussed that with them and they agree with me that this seems a reasonable thing for them to look at, not just whether it works there but what structural changes occur, from one to the other in the different countries.

Hon. W. Newman: We have had a lot of discussion here about the so-called corner store. Some of them have the advantages of affiliation with a buying group. Do the corner stores in the US fare better than they do in Canada? Do you feel there is any difference there? Could you explain that to us? There has been a lot of concern raised in this committee about the corner store.

Mr. R. Smith: I am not going to try to bounce that back by asking for a definition of a corner store. We have looked at all the

various sectors of our food retailing business from what we call the corner store, the little mom and pop stall, right through to the major retail chains.

The legislation in the United States is something we were going to address in a more general way, as it affects the US retail business in comparison to ours, in our entire look at the wholesale and the retail sector as an overall view. We have a lot of independent supermarkets in Vancouver and British Columbia, both small and large. I think the prices they offer are equal to, or in many cases less than the major chains.

They have manoeuvrability in the marketplace that major corporations do not have. The volume discounts that are available to the large corporations and perhaps not available to those small individuals, do not seem to have hampered their survival and their growth in our industry.

Hon. W. Newman: In your report you suggest a receiver of complaints, or an arbitrator or some such person, either within the Department of Agriculture or Consumer and Corporate Affairs in BC, rather than legislation. Why is that?

Mr. R. Smith: Perhaps you might make a comment, Mr. Bawtree, about the feelings of the committee about legislation affecting one sector or another?

Mr. Bawtree: The philosophy in British Columbia at this point in time is the less government we have the better. Rather than set up another bureaucracy—we felt the Ministry of Consumer and Corporate Affairs does have the present expertise to do some of this work—rather than increase the numbers of staff, which seems to be unpopular these days, we made the recommendation that we not do that but use the existing material that is available.

I think it may be something that wouldn't have to be done that often. Once people start to understand the way the system works a little better, I think they would be a little less critical of it. That is really my view on the whole picture.

Mr. Deans: Perhaps the minister would care to ask Mr. Smith to elaborate just a little bit on the statement that the corner store appears to be able in some instances to sell at a lower price than the major chains; could he provide us with some background on that conclusion?

Mr. R. Smith: Certainly. I don't like to use the term corner store. I am referring to the independent supermarket. In my definition a corner store is something that isn't

offering much more service than a Mac's Milk or 7-11 or such convenience store. They are not offering product at the same price.

[8:15]

We have completed two lengthy and province-wide price surveys—in fact we covered Alberta and Washington as well—on a week after-week basis of the same supermarkets and the same stores on a fairly carefully worked out food basket. We know which stores are charging prices higher, lower or whatever than each other. We also looked at the convenience stores. Those convenience stores we classified as the chain convenience stores and the independent convenience stores, which keep open the same hours and run the same kinds of business whether they are what I call the mom and pop store or whatever. That is my concept of the corner store.

Those stores are charging more than the supermarket. A supermarket in the nearby neighbourhood is probably 15 per cent less, on the average, than the corner store, and even less than that of the chain convenience store. However, what I was referring to was the independent supermarket. I don't know what you have here, but these, I would say, are maybe a chain of two or three supermarkets, perhaps even the same size or a little smaller than the Loblaws or whatever.

Mr. Deans: I don't want to go into the detail of it. Do you have statistical information that might be available to us on whatever basis to look at the comparison in terms of size, volume, purchasing capacity, retail sales volumes?

Mr. R. Smith: It would be available when we publish it, yes.

Mr. Deans: How long will that be?

Mr. R. Smith: That'll be some time in the next three or four weeks.

Hon. W. Newman: I think in your report, again, you indicate that a policy decision is needed on whether there should be a few large retail distributors or several vertically integrated operations. I refer to perhaps one of the major ones in British Columbia which is rather large. Does your research indicate that it is easier or harder for a small or an independent supplier to sell to a vertically integrated retail distributor?

Mr. R. Smith: I think the vertical integration itself obviously cuts down on the number of independent suppliers required. We're referring to vertical integration as the retail

and wholesale company integrating backwards to manufacturing. It can supply itself in many instances.

Mr. Duce: Perhaps if I could add a piece to that, it is that kind of comment that leads us to the question which we have thrown back to the committee as a political philosophical question for them to answer, as to what is their objective in terms of size. For example, one of the things that is in conflict here is the desire, from a political point of view, to protect the mom and pop operations in our economy, and on the other hand, a desire to lower prices. One of the things that has come out of our survey is that there are some indications in the retail-wholesale business that vertical integration has in fact been a benefit at the consumer level, and has in fact resulted in lower prices.

What you really have to do as your committee, and our committee has to do as well, is to examine that and say what is it that we want to achieve. We can provide the information as researchers that tell you what's happening, but I think you have to formulate your own objectives in terms of what you want to happen and to rationalize those conflicts.

Mr. Deans: I'm confused. If you're telling me that the vertical integration has brought about lower prices, how do you square that with your colleague's comments that there's evidence that some of the very small chains—two or three or four—seem able to provide service and sales at a lower cost?

Mr. Duce: That is true, but it is also true from the same survey that some of the smaller independent supermarket operations are also very much higher in price and that there is a steady—

Mr. Deans: Help us then, because I'm a little obtuse on these things. If there seems to be some distinct and obvious disparity in the ability of different sizes of operations to provide lower price or better service, whichever it happens to be, could you tell us what the primary factor seems to be in this regard?

Mr. Duce: The primary factor, I would say, is management. There are some very significant differences. We will be publishing, in the report that Robin is mentioning, indications—I've got to step back for just a moment. We've got two sources of information. One of the sources was provided to us on a confidential basis by the companies, and that includes profit and loss statements and very many other things. They are not

public companies, in many cases, and they do not provide that information.

We got it from them as researchers on the basis that we would not provide it to the committee, that we would not turn it over to any branch of government at any time, that we would aggregate that data and present the aggregations and that we would destroy the individual questionnaires. We have given them our assurance as independent consultants that that would happen.

That information will never be disclosed. But there is other information that we have gathered, where we have gone out and done our direct research ourselves, and this consumer survey thing is an example where we will be publishing a report that will indicate basically which stores are higher priced and which are lower priced, naming the stores, and we'll give some indication of the volume of activity that we feel is going through there.

I think that report will answer the kinds of questions that you're raising. It will establish, for example, that there is a very large retail operation in the BC market that is a price leader in many areas of the province on the low side. Where that store does not exist in a remote area, prices are higher than if that store exists, okay?

Mr. Deans: Can you give us some analysis of their management, their purchasing, their use of such things as discounting?

Mr. Duce: Exactly. We will also in that same report point out that although that store is having a beneficial effect on prices in some areas, there are other stores where prices are lower in some of those areas.

Mr. Deans: Does discounting appear to you to have any major influence on the capacity of those particular operations to provide lower cost?

Mr. Duce: The lowest-cost operations are discount-type operations in BC, yes. That's certainly one of the factors.

Hon. W. Newman: I hope we're getting credit for the NDP time.

Mr. Deans: I'm sorry. I thought you wouldn't mind my asking questions.

Hon. W. Newman: I'm just kidding. I'm just trying to keep mine fairly brief, so it would be fair.

On page 19 of your report, you referred to a Buy BC campaign which costs suppliers money. Since we have a Buy Ontario campaign maybe you would explain that campaign to us.

Mr. Bawtree: I'll just start out by saying it was a very interesting one that was raised

originally in the House. Oh no, this is a different one, sorry, that was raised originally in the House. We did have one that was raised in the Legislature, where a broiler industry decided that they were rather long on product and they would like to get rid of some of this product, so the marketing board went to the industry and asked them for some assistance. In exchange, they offered certain rebates for this promotional assistance in order to get rid of an awful lot of product.

The result was that they offered one cent for one particular month, two cents for the following month, three cents for another month and four cents for the final month. The chains did, in fact, reduce their prices significantly during that period. They did a good job of promotion and the product moved very well. The result is that the broiler people in BC now are back up to, I believe, 100 per cent of quota. If they hadn't gone through this exercise, they wouldn't have done that.

It's very interesting, this particular question, because it's probably one of the things that the committee may well recommend that the boards do more often, because a lot of boards have a tendency to be rather inward looking rather than outward looking to see what other opportunities there are. I've always felt that they had a tendency to look in and be very protective rather than taking a chance and looking out at the big wide world.

Mr. Chairman: This was the great BC chicken caper, wasn't it?

Mr. Bawtree: That's right.

Mr. R. Smith: Further to what page 19 says, the Buy BC campaign provides with it—as I would presume yours does—stickers and shelf talkers and little things that say "Grown in BC—Quality" and we have a picture of our dogwood and so on.

This is provided by the Ministry of Agriculture at no charge to those who wish to use it. What may take place under supplementary allowances and so on is for any special efforts that the retailer, usually, wants to work out with the supplier, to put in something special. Perhaps he not only wants to put a Buy BC sticker on it, but he wants that product to carry some other advertising. Essentially, the cost of the extra advertising is paid by the supplier and it is promoted, perhaps, in conjunction with a province-wide promotion of all BC products or a group of BC products by that retailer and often prompted by our markets branch of the Ministry of Agriculture.

Hon. W. Newman: There is a question that we have discussed here at some length around this table. I believe that you have looked at what we call Intersave.

Mr. R. Smith: Yes.

Hon. W. Newman: There's a lot of misunderstanding, misapprehension, or whatever it may be about it and about what happens to those funds. Where do they go? Where do they wind up? Who gets them? And so on and so forth. There has been a lot of questioning on that. Personally, I think there is a certain amount of misunderstanding as far as Intersave is concerned. I understand that you looked into it. I know it might take you a minute or two, but I think it's very important because of discussion we have had here that you explain just what Intersave is, in your opinion.

Mr. MacDonald: Could I throw in a supplementary along with that? I was teased very much by one sentence on your page 51 "The Loblaw-Kelly, Douglas buying group called Intersave Buying and Merchandising Services has created more confusion and distrust among suppliers than any other area of the rebate allowances and discount systems that we have investigated."

Mr. R. Smith: That's exactly the truth. I am sure that in Ontario there are the same misconceptions among suppliers. We certainly found that rampant among those suppliers in British Columbia who sold on a national basis, and therefore essentially sold their product to Intersave as the first receiver of their product, not to Loblaws or Kelly Douglas.

Suppliers came to us with allegations of a strange and unknown company in Toronto—which alone is enough to disturb our suppliers—that had this large hole into which money disappeared and was never seen again. This is no exaggeration. Brokers and actual manufacturers in British Columbia who had made out cheques to Intersave—and not many mentioned Foodwise Canada which is the same thing—believed that these cheques had no bearing on the eventual profit and loss statements of Kelly, Douglas. They felt that they were providing some volume rebate without any return; that is, that Kelly Douglas was not getting any return. Kelly Douglas, by the way, is a subsidiary of Loblaw Limited, the same as Loblaw's store here. Kelly, Douglas operates the wholesale retail chain for British Columbia.

We followed up on all those particular allegations by going to Kelly, Douglas, by talking to their executive, by talking to the executive

of Loblaw's and the executive of Intersave. Personally, I have been through the workings of Intersave. I have spent many hours going over this with people from Loblaw's. I am convinced that I know how that company works. For companies that sell to any one of the member companies of the Loblaw group, on a national basis—in British Columbia, I'm referring to those who are not selling just within British Columbia where it's handled through Kelly, Douglas—the volume rebates for that company accrue to Intersave, whether those products are supplied to British Columbia or Ontario; that one supplier pays his volume rebates on the total sales that he has to all of the Loblaw group, to Intersave. Intersave will then have certain charges against that.

[8:30]

One of those charges is to support their rather elaborate, in fact, quite outstanding research and quality control laboratory on Yonge Street. I've been through that facility and I can understand what its function is; it's not only quality control of all their private label merchandise but quality control of other incoming merchandise. It also handles their consumer complaints. Certain overseas purchases go through Intersave and so on. The cost of operating that facility comes off the total revenue of Intersave.

Just to make it brief, their remaining revenue is redistributed back to the member companies in relation to the purchases they made from that particular supplier. Intersave makes no profit. I've seen their internal financial statements and their monthly reconciliation of finances. I've seen what Kelly, Douglas received back from them. It does go back into the general revenue of the operating companies as though it were part of the actual operating income. Does that explain Intersave?

Hon. W. Newman: I gather that you have gone into it in intimate detail and that you say it's quite a legitimate but complicated and misunderstood way of doing business. Is that correct?

Mr. R. Smith: It was not explained. Loblaw's felt that it was setting up a perfectly legitimate buying group, no different than other buying groups that exist in this country. United Grocery Wholesaler is one, a group of companies totally unrelated to one another. It is one of the few ways companies have, under our system of annual volume rebating, to maximize their returns as far as rebates are concerned in order to allow them to compete with the two giants in the wholesale retail trade, Dominion Stores and Canada Safeway.

These firms have only one company; they don't have a variety of names under which they operate. Therefore, they get the full impact of whatever rebates they receive. I think it's a perfectly legitimate way to operate, given the system we have for annual volume rebating.

Mr. S. Smith: Can I ask a supplementary question?

Mr. Chairman: The minister is first.

Hon. W. Newman: I would just like to point out that because of the time restraints per party I would like to give members of my own party a chance. I'll pass for now. If there is time later I would like to come back.

Mr. Duce: Perhaps I could just make an additional comment on what Robin was saying about Intersave. Our first introduction to the Intersave situation was essentially when a number of suppliers in the business came to us with cheques in hand saying: "These cheques go to Intersave and they're a problem."

I guess there were three alternatives that could have been the case with respect to Intersave. One is that Intersave is a vehicle into which money is funnelled and never comes back into the operating costs of the company. If that is true then it is an unnecessary add-on to the cost of food.

The second alternative we had was if the money goes into Intersave and then comes back at the corporate level, but is not distributed on a regional basis, then while it may not contribute to the cost of food in Canada, it may, in fact, be that BC is subsidizing a price war in Ontario; and that is just as objectionable to us as the other alternative.

The third alternative, of course, is that it is a legitimate operation, that the money from Intersave does come back into the operating company and is distributed back on a regional basis in accordance with sales on a regional basis. We checked into that situation. We followed cheques right through the system, and we know how it operates now and we are satisfied that the money is coming back on a regional basis and, therefore, is taken into account in the price of food; and that it is simply not an additional add-on. It is just something that has been very poorly explained to this point in time and very poorly understood by the people who are being affected by it.

Mr. S. Smith: On the Intersave matter, I am very curious as to why it is that Loblaw's would want to fund a first-class quality-control laboratory operation which has the name Consolidated Research or something—

I forget the name, but I brought it up here before—out of annual volume rebate cheques. I don't suggest there is anything wrong. They can use their rebate cheques any way they please, and they can paint the walls or fund research labs, but what conceivable advantage is there to Loblaws to take their rebate cheques to fund this particular quality-control apparatus? Did you ever figure that out?

Mr. R. Smith: Yes. I think it is a reasonable question. We asked that ourselves. Thinking of Loblaws, including Kelly, Douglas and all of its other subsidiaries, it wouldn't pay to be operating individual research labs for each of its subsidiaries—one in British Columbia, and one here, and so on. One of the main functions of the research laboratory is, as I understand, the development of private label merchandise, the development of products to be labelled under the variety of private labels used by Loblaw companies. I presume they also develop their no-name labels there as well.

That particular research is going to benefit all of the companies of the Loblaw group, not just one or the other. This was one of the areas of funding which would be contributed to the Loblaw group on a proportionate basis to the sales of the various members. Therefore, one might presume that the benefits that would accrue from that research would also be received in relationship to the sales. So I think it is a perfectly reasonable thing to be funding the research out of that particular source of funds. Where else would you fund it from? From general revenue, which this is going to back into, anyway?

Mr. S. Smith: Well, why not?

Of course, you could answer that, no matter how they use it for funding. You could say they had a choice of funding their neon signs out of Intersave, and if they didn't, they would go into general revenue and it would be funded out of general revenue; and, obviously, I understand that. The point I don't understand is why they should have chosen to fund research labs rather than many other things that they do which are general national value.

The answer given here by the president of Loblaws was the one weakness in his whole presentation; and that was that he suggested it was a kind of accounting thing, that he likes things to pay for themselves; and there is a kind of implication that the research lab ought to pay its own way, as though the product of the research lab was responsible for producing the volume rebates in some way, so that he could keep track of whether

the research lab was paying for itself. He liked to know, he said, whether an operation was paying for itself. There is some implication that the research lab was somehow or other generating the rebates, and he made a very strange connection between the two, when really, I must say, the only thing I saw was what you just said: that they took a general source of revenue and put it into some general application.

Mr. Duce: Perhaps I could just make one comment. It seems to me if we separate out the quality-control aspect of it—and I realize that is a very important part of what they are doing in the research group, but if we examine just the product introductory aspect, and market research activity that is going on there—and I am just speculating—I suspect that the rationale or the logic behind the linking of those two relates more to the market research than it does to the quality research.

Mr. S. Smith: Yes, he gave us a story about testing dishwasher detergent or something, but really it doesn't seem reasonable to me that the lab is generating the volume discounts and that it is kind of pay-as-you-go; I doubt it really. I think, as Mr. Smith suggests, they have chosen to put it there and none of us really knows why.

Mr. R. Smith: I also would say that I don't see anything particularly insidious one way or the other.

Mr. S. Smith: No, I am not suggesting that.

Mr. R. Smith: Does it matter where it was funded when it is all essentially from the same revenue?

Mr. S. Smith: Oh sure. I am not suggesting there is anything odd. I am just wondering if you had discovered something that I couldn't discover. The president of Loblaws is a very intelligent man, but his story didn't hold water on that, and I thought maybe you had figured it out. I don't know.

Let's move on to more important things, if we may. Did you find the atmosphere of fear among suppliers that we found here—people reluctant to come forward unless given heavy guarantees of anonymity and that type of thing?

Mr. R. Smith: Yes. Only in the beginning.

Mr. S. Smith: I see.

Mr. R. Smith: There was a great apprehension of even talking about rebates, allowances and so on. Until we managed, after some time, to get the message across that this was being kept on a confidential basis,

there was an utterly incredible lack of understanding on the part of many of our suppliers in British Columbia on what the entire volume rebating, co-operative allowances and discounts system meant and whether it was legal or illegal.

We had suppliers who actually supplied companies across this country thinking they were the only people that had volume rebates. Utterly incredible. They really believed that they were the only individuals involved in this entire area of business. And some of them were not sure whether they were within the law or not within the law. There was a tremendous lack of understanding.

Mr. S. Smith: I am afraid my time for asking questions is limited; so I have to sort of rush through them. Perhaps if it is possible to give a short answer, without doing yourself an injustice, I would be grateful, but I realize that some of these are very complex matters.

In terms of the committee report, I take it that what you are saying is that it is really the staff report, and the politicians, like you and like me, haven't yet given their final stamp of approval on it.

Mr. Bawtree: That's right, and we will not be giving our final stamp of approval until we have looked at the other reports, such as the ones on vertical integration, private labels and all the rest of it, which to some degree fit in with this report.

Mr. S. Smith: And you suggested—one would never know; it is even conceivable there could be contradictory recommendations in such reports, depending on which staff produced them and so on.

Mr. Bawtree: That's right.

Mr. S. Smith: Could I go through some of this? Did you actually get to see not only the consolidated financial statements of these chain stores but also the breakdown of where money went? I am interested, for instance, in Intersave, or in any of the discounting situations, whether the net price of food is really the base when the companies tell us they are only making one per cent on the sale of food, or whether it is the gross price that they are using for that calculation and the rest of it is showing up at head office somewhere—for quite legitimate purposes, I'm sure. But the question is, is there a PR advantage to what is going on?

Mr. R. Smith: The beginning of your question wasn't quite what the ending was, if I could just go back to that. Yes, we were down, in instances where we requested it,

and with Intersave in particular, all the internal financial systems and the monthly statements which were made out for that particular organization.

[8:45]

You then asked on what basis is this one per cent received. We will say one per cent is the net profit for most companies, and this is the net profit on total revenue. That total revenue includes two things depending upon the company's own internal accounting methods: their revenue from sales, and what is called euphemistically "other income." This may include volume rebates in some companies; it may include certain promotional allowances in others, and so on. But essentially their total revenue is the total price they get for everything they sell plus whatever rebates they may have.

Mr. S. Smith: You feel basically that the rebates are included in that figure—

Mr. R. Smith: Oh absolutely, yes.

Mr. S. Smith: Did you find out what the after-tax earnings, considered as a percentage on invested capital, were for last year for instance in British Columbia—for the British Columbia operation of Loblaw's-Kelly, Douglas and Company Limited?

Mr. R. Smith: Yes, we have that figure.

Mr. S. Smith: You are not in a position to divulge that?

Mr. R. Smith: No, I'm not. We have those particular figures for not only each company but for even its divisions.

Mr. S. Smith: Yes, good.

On page 14, you mention that the rebates that are awarded annually may not reflect economies of scale in some instances. We are not looking for wrongdoing or anything of this kind, but one of the problems we are having is understanding what the impact is of a volume rebate that isn't truly related to the genuine benefits of selling in bulk. You can appreciate that under those circumstances, if these are being extracted more because of retail clout than the genuine benefits of delivering something in bulk, then of course there's a built-in advantage to integration, favouring concentration. That is of some concern to us, although I realize there's a philosophical position one must take.

Your findings were that the annual volume rebates didn't always basically reflect only the genuine benefits of shipping in bulk or billing in bulk?

Mr. R. Smith: I would have to say we are a bit inconclusive on that. We didn't undertake any studies that would say this should

be the cost of production at this level of production, and these are your particular savings at other levels of production. That requires essentially a company-by-company examination over a period of time at different production levels—a pretty complex affair.

To be quite honest with you, our processors that we surveyed had enough trouble trying to find out what their costs of production were at any time over a year. This is part of the comment I have made in here about cost justification methodology. Some national companies, but certainly some of our companies in British Columbia, at the processing level, simply don't know what it costs them to produce some of the goods they produce, size-by-size and mix by—it's a complex business. I would not say volume rebates do not relate directly to savings accrued but I couldn't say that they genuinely reflect the exact savings accrued.

Mr. S. Smith: I note on page 27 you say the pricing system is extremely fluid and price lists and discounts lose meaning as indicators of the final purchase price. Price reductions may relate directly to the market leverage of the buyer and only indirectly to savings due to volume purchases. That was referring to meat processing and some of the special price lists and so on. That's a grey area, I take it, as far as—

Mr. R. Smith: Yes, I think those are excerpts directly from our report on the meat processing industry which is now going through review for release, but that is in the area of meat. As you know, it's a relatively complex production area with large and small firms, and there are many ways to confuse everybody—including investigators.

Mr. Duce: In asking how the rates were set, we got a variety of answers but perhaps the one that came up most frequently was that the rates were set relative to the cost of the alternative. For example, if I were to introduce a product and was faced with an introductory volume rebate with respect to one chain that has 50 stores and another chain that has 100 stores, those two chains might have very different figures. The figure might not be related to each chain's cost of introducing that product but to what it would cost me to introduce that product by virtue of television time—how I could buy that product through the market as opposed to introducing it that way. I rather suspect that since nobody does seem to have the true costs it's just pulled out of the air as an appropriate figure.

Mr. S. Smith: Mr. Smith, may I ask you about this matter of introductory fees, now

that the matter has been raised? Did you get any idea of the sorts of sizes of these introductory fees? We heard some incredible rumours that one particular product had an introductory fee somewhere around \$250,000 just to get the product on the shelf. Did you hear anything like that?

Mr. R. Smith: We heard lots of rumours.

Mr. S. Smith: Did you find any evidence of that? That is what I am asking really.

Mr. R. Smith: No. We are talking here about introductory or promotional allowances, or listing allowances as some—

Mr. S. Smith: Yes, that's right.

Mr. R. Smith: —people have called them. As we tried to point out here, a rose by any name is still a rose—nobody seems to have the same terminology for the same item. I think there were no suppliers that suggested to us figures in those particular sizes. For introduction in British Columbia we are talking about a much smaller marketplace of course.

Mr. S. Smith: Of course.

Mr. R. Smith: We only have two million and some people. But yes, there are fees for introducing a new product; there was no set schedule though. Our companies in British Columbia said "This is the cost for putting this product on the marketplace in BC."

It appeared the methodology was one of "what do you have in the way of promotional money to put this new product into the marketplace?" If someone only had \$500 or \$1,000 it doesn't go very far, but if he has a good idea and a good product and that company wants to try it, they may give him several stores to try it in; they may suggest the use of demonstrators, and so on. So there are a lot of different ways this is worked.

We have had no suppliers in British Columbia report to us or to the Ministry of Agriculture who are very eager to promote products, that they were unable to get a new product into the marketplace. One of the constraints of course is whether you can produce that product in large enough volumes to satisfy the largest buyer. If you go to somebody that has a large proportion of the marketplace and you can't supply them, then you are going to have to go somewhere else.

Mr. S. Smith: On page 27, you refer to your other report on the meat processing in BC and you point out that more than one price list is usually used by processors. You have a paragraph explaining all this, basic lists and the volume or chain price list. Would that not be against the combines legislation?

Mr. R. Smith: I would think that it would be if there wasn't some special service offered to the different people that are buying. For instance, those price lists may be tied to delivery to store. They may include delivery to warehouse distribution and so on. But if they are the same services on different prices, I would expect the retail industry to be rather interested in that comment, that they are expecting to get the same deal as their competitor.

Mr. S. Smith: On page 69, your report deals with what you call practical experience, referring to the American experience. I think that's a very interesting section of your report. I wonder if you could assist us in understanding some of this. What you say on page 69 is that volume rebates are rare and most volume concessions are awarded by suppliers at the time of purchase as a discount on the purchase price. By that, I guess you mean rather than by rebate. Is that what you mean?

Mr. R. Smith: Yes, a direct, off-invoice discount.

Mr. S. Smith: Then you say with respect to these volume savings basically that independent supermarkets and small chains use co-operative wholesalers in purchasing, which is quite understandable. "The use of discounting, as opposed to the rebate system," you say here, "ensures that the reduced price or volume savings appears immediately in the purchase price and is thus more likely to be passed on to the retailer and/or the consumer." That's a fairly important statement, I would think, if an off-invoice discount is more likely to get through to the consumer. Have you any comments on that?

Mr. R. Smith: I'm quite sure that off-invoice discounts in Canada are passed on to the consumer at the same speed as well. When we're talking about volume rebates, I just to draw the comparison here, we're talking about something that is essentially or usually an annual volume rebate. I think the majority of buyers are looking at their projected volume for the year. They've estimated what their rebate will be, so they have built that back into the pricing structure. If they don't reach that volume in the year, they've lost out by the end of that year. If they've exceeded it at the end of the year, they may be into a different level.

What we're referring to here is the use of the off-invoice discount which is tied directly to the size of a shipment and not to the annual purchase. The actual size of the shipment—a boxcar, a truckload or whatever it may be—is a very direct thing that

can come off right away and is relative to that particular load of product that arrived at that point in time rather than something spread through the year.

Mr. S. Smith: I have just two things following on that. I don't know how close you've been following this situation, or whether you've found similar situations in British Columbia. We had a number of instances where the invoice was discounted, and that was the form of the earned cost allowance, and other instances where the invoice wasn't discounted but the cheque simply came back X per cent lower than the invoice read. We've had other instances where the supplier had to send back a cheque on a monthly basis rather than an annual basis, depending on the volume per month. In each of those instances, I guess we have a situation which is a little bit at variance with what you're suggesting.

Mr. R. Smith: We may have systems that vary from one area to another.

Mr. S. Smith: On page 70, in talking about the American situation, you say that supplementary and listing allowances are rare or unheard of and warehousing allowances are relatively infrequent. Introduction allowances are made when a new product is introduced into the market, but this allowance is a promotional one similar to the temporary decline of performance allowance that you speak of earlier. You go on to say, on page 71, describing co-operative advertising, that proof of performance is also required in the United States. Do you have any view on what this does and what impact all this has had on the American scene? Does anybody in the committee have some view on that?

Mr. R. Smith: I wouldn't pretend that we've examined the US situation to the extent to be able make an extensive comment on that. Based on Washington state, Oregon and that area that we've looked at as a comparison for British Columbia, there are more wholesalers there than we have in our province for instance. I don't know how many wholesalers you would say you had here. We essentially have two wholesalers in British Columbia of any size at all; one is Kelly, Douglas and the other wholesales to IGA Stores and some corner stores.

[9:00]

The situation in Washington state is that there are five or six wholesale outlets. I'm not talking here at all about MacDonald Consolidated, which wholesales strictly to Safeway, except we have a little bit of

public wholesaling from that organization. It's been inferred by other people who have looked more broadly across the United States that their legislation may provide opportunities for more independent wholesalers.

I don't think I can comment much further on that. Perhaps the independent wholesaler would have arisen anyway, I don't know. That legislation was designed for the creation or maintenance of a system in the 1930s that was essentially designed to promulgate the corner store and independent operators, I understand.

Mr. S. Smith: On page 77, on the same point, the suggestion is made that the system of assigning rebates has probably been a contributing factor in the lack of wholesale competition in BC.

Mr. R. Smith: I think it probably was a contributing factor.

Mr. S. Smith: Even if they have the effect of using these methods to reduce the number of suppliers and processors and so on, as long as the large powerful chains are in very strong competition with each other at the retail level I guess an argument can be made that these giants may be in the public interest. I guess the problem is, and I don't know if you've got your mind around this, once you're down to few enough giants, very much integrated both horizontally and vertically, concentrated horizontally and integrated vertically, and producers sort of dependent on the one canner in the area or the one preserver in the area or whatever, once you get to that point there is the danger that the giants might decide that it's much easier to divide the pie than to fight over it. That, I guess, is something you meant when you said you have to have a philosophical position of some kind.

Mr. R. Smith: This is, of course, what you might call the culmination of the research that we're going to do in this, which is the integration and concentration report. There has been a variety of approaches to that in Canada and the United States, none of which we agree with completely.

It's rather a revelation, in some ways, when dealing with our major retail and wholesale chains in British Columbia, to find how very little they have to do with each other, how very little they know of each other's operations, and how very little they care about the other person's operations. The public concept that these corporations are sitting together and plotting strange things certainly is not upheld by our experience with them.

Mr. S. Smith: I wouldn't expect that to happen. I certainly would never suggest such a thing. I am speaking of the future. You don't have to sit down once you know you've only got one or two people you have to keep an eye on, we don't have to get into the theory or oligopoly and so on, but surely you know what I am speaking about.

Mr. R. Smith: I know what you mean.

Mr. S. Smith: On page 72 you say the report does not deal with the fairness of equity of such buyer-seller arrangements in the context of food prices. In fact, that's left for your major report that you're referring to, the integration and concentration of the BC food industry; and that report, I gather, is not yet prepared.

Mr. R. Smith: That's right.

Mr. S. Smith: I see. I don't really want to occupy all the time of my party here, so basically I'd like to thank you for coming down, and I feel that my understanding of what you've suggested is that there is, and frankly I would agree with you, nothing blatantly illegal, no funny stuff of this kind going on. The real questions are how integrated, how concentrated a food industry does one want; and are these rebates of various kinds benefiting the consumer from the point of view of the food price or are they hurting the consumer. I take it that basically you don't have a verdict on that. You're saying there is no proof that they're hurting or benefiting. Is that correct?

Mr. R. Smith: At this particular moment, we are not prepared to make a direct statement on that, because we have other things to write—

Mr. S. Smith: Right.

Mr. R. Smith: One of the things—I want to just go back a few steps here—we talked about concentration and so on. We have had a number of surprises in actually seeing who the players are in the BC food retailing area. The conventional wisdom of market share does not necessarily hold true.

We have the retail sales of every chain, including little chains which in a small, specific market area, may be far more concentrated than large corporations and can operate quite differently. The split up of the actual retail sales in British Columbia is quite different from what it is normally presumed to be. And I'm not prepared to say any more about the number at this moment. It may well be that Ontario's is similar.

Mr. S. Smith: I'll stop my questions now and leave a little time for later. Thank you.

Mr. MacDonald: Mr. Bawtree, I'd like to get a little clearer picture of the mix of your research, your public hearings and on the procedure of your committee. It's just conceivable, if the powers that be are amenable, that we may have to go through something of an exercise in Ontario to get to the bottom of this whole issue, therefore what you've done, I think, will be of some guidance.

When the committee was set up, did you start with public hearings and then find areas where you needed research work to give you some basis of information upon which to operate? And now that you've got your reports, you're going back to public hearings again? Can you sort that out for me?

Mr. Bawtree: In our terms of reference, given to us by the Legislature, there were certain things we were told to do. One of the first decisions of the committee was we should get research staff in order to help us undertake this research. In the public eye at that point in time were such things as marketing boards, so we actually hired the basic research staff to start with to look at three basic areas: how much land did we have in the province, to find out what information was available on this subject and fill in the gaps in order to come up with an overall information package for the province.

The next step was to find out what our cost of production was. We were instructed to do this by the Legislature and compare it with other areas in the Pacific northwest. Then, of course, the third phase was to look at processing, transportation, retailing and wholesaling. Therefore, we knew we had to have some staff. So we hired the staff and put one senior person in charge of each one of these phases.

After we got all that more or less under way, we started having hearings around the province. As I mentioned before, they were rather informal hearings. Generally they involved the producers in the province, although we invited anybody to come and make presentations to us.

We were rather critical, certainly I was rather critical and rather unhappy, that the consumers did not give us very many presentations as we did our tour around the province. We covered most of the areas of the province, staying either one or two days.

Mr. MacDonald: Was it an open invitation? Was it an open invitation to anybody to come?

Mr. Bawtree: Anybody that wanted to could come. They were notified by ads in the papers, I think four weeks ahead of time, and we asked them to let us know if they wanted

to make a presentation. If they wanted to make a written presentation we invited them to send it ahead of time and this sort of thing. As I said, it was very informal.

After that was done many new problems were presented to us, very few answers but many problems. Therefore, we had more things for our research staff to look at; to find out whether these were really problems first of all and whether there were any good answers to them. This is why we went that route. After we had finished that, there were a number of people who did not come before us, particularly the retailers, wholesalers and the processors, so we invited them. We invited other people too, such as the petroleum industry. We wanted to get a little bit of information from them, if we could, as to what the outlook was for the future as far as the cost of petroleum products and how it would affect agriculture, fertilizer particularly.

We invited such people as the Department of Regional Economic Expansion to come before us, because we had some concern about the way that was working. All these people did come at our invitation, except for one. Therefore we subpoenaed that particular firm and they came; with some hesitation, but they did eventually come.

We finished that phase some time ago, I believe it was in January. This gave us sufficient information to continue with our research. That research is basically finished now, and has been in many sectors for quite some time, but compiling the information and putting it together in report form is taking somewhat longer than what we had thought. Certainly a lot longer than I had thought.

Mr. MacDonald: There are about 40 different reports, am I correct?

Mr. Bawtree: There are going to be roughly 75 to 80 when we're finished. Some of them will be quite short; some of them will be very long and comprehensive. On land resource alone we have eight different regions in the province, so we have eight different reports on the possible production in each region.

Mr. MacDonald: Do you envisage further public hearings or is your committee now going to take a look at the mass of material you have, the recommendations from your staff, and come to your recommendations?

Mr. Bawtree: We don't expect any further public hearings whatsoever.

Mr. MacDonald: I was interested in comments that you have made in passing to the whole problem of concentration in the food industry. I don't know if this should go to

you, Mr. Bawtree, or to your colleagues on the panel. To what extent was the growing concentration in the food industry one of the motivating factors in this study?

Mr. Bawtree: I will just start off by saying it was of quite a considerable concern to agriculture in British Columbia, probably not so much to the consumer. But certainly one of the objectives of the total study is to find out why British Columbia isn't more self-sufficient in food than it is. We believe we have the capabilities to produce the food. Why aren't we doing it? That was one of the rationale for having this study.

In that context, we were very concerned as to whether the integrated part of the industry, which is the wholesale-retail sector, is having an adverse effect and is detrimental to BC producers. Many of us thought at times that it was.

I might add for the information of the members of this committee that my background is agriculture. I am still a producer, I am a rancher in the south-central part of British Columbia. I have been in the dairy industry and most agricultural organizations, including the Federation of Agriculture, BC Cattlemen's Association, and things of this nature. So I have been concerned about the possibility that the concentration and integration in the retail-wholesale industry may have been detrimental to some producers getting their product on the retail shelf. This is a complaint that we have had quite often, particularly in the northern part of BC from those producers who made presentations to us. [9:15]

Mr. MacDonald: Have you come to any conclusions as to whether that's a valid fear you had?

Mr. Bawtree: Not at this point in time.

Mr. Duce: Perhaps, I might just add one point on concentration and integration. I think it's important to realize that we started the concentration-integration aspect of our study in May of last year. I don't think anyone in the industry was aware that that study was under way until probably March of this year, so we got an awful lot of data that we managed to pick up before anyone was aware that we were looking at it. I think probably that will be an important point in terms of the usefulness of the data that we have developed.

Mr. MacDonald: I thought I understood one of you to say earlier that you felt that integration was even of benefit to the consumer, that it could lower prices and so on. Is that a tentative conclusion that you have come to?

Mr. Bawtree: This is one of the statements that Robin Smith has made. My comments were from the other point of view, the producer's point of view. I said that we have not come to the conclusion yet as to whether it's good or bad from a producer's point of view, particularly a smaller producer in some of the outlying areas of this province. Certainly, Mr. Smith did indicate that it could well be that it is an advantage to the consumer.

Mr. R. Smith: Let me just correlate one thing. The largest and most integrated retail company in the province also has the lowest retail prices. It reflects a number of things.

Mr. MacDonald: After a month of testimony here, I have become rather suspicious of generalizations of that nature because we always find an exception. The purpose of integration is to give yourself an advantage over your competitors, therefore to make your position a bit more profitable. Now, theoretically, it could hurt the producers, Mr. Bawtree has said. Theoretically, it could be passed on to the consumer. You know that these boys aren't in this for a philanthropic exercise, and therefore they are likely going to retain as much of it as possible for themselves.

By coincidence, on this morning's news there was information on a study by another British Columbia person looking at vertical integration in Bell Telephone, saying that the consumers of this country have been bilked of billions of dollars by excessive costs by Bell having an integrated purchase arrangement with Northern Telephone and getting all its products. So there is a lot of theoretical as well as practical evidence to suggest that vertical integration doesn't necessarily help either the producer or the consumer. I am wondering why you have come to such a firm conclusion?

Mr. Duce: Let me just comment on that. I think that what we're talking about is not a firm conclusion, because the final results of our concentration-integration study are not in. The data is essentially gathered and it is being evaluated. What Robin and I have been commenting on to this point, and the only aspect that provides any solid data with respect to integration-concentration, is our consumer price survey.

It was not a survey of supermarket pricing lists, as many surveys are. We actually went out and shopped a specific basket of goods weighted against the normal usage of that basket by a family. On the basis of that comparison, in 39 communities in BC, some eight communities in Alberta and eight com-

munities in Washington state, the conclusion is that in our situation the company that is most heavily integrated is also a price leader on the low side in many of those communities. That's one piece of information. That piece of information of itself does not say that integration or concentration are good or bad.

That's all we have been saying at this point. We are not in a position now to give you a value judgement on whether corporate integration or concentration is good or bad. We have our personal opinions and they are probably based to some extent on the same kind of information that your personal opinions are, but the solid data is not in yet.

Mr. MacDonald: We have been given the impression in eastern Canada that while we have a concentration here at least we have got four or five giants in the field, but in western Canada there is an increasing tendency for one giant to emerge. Maybe I am not correctly informed, but in Alberta at a time the government was fixing a limit beyond which Safeway could absorb more of the market.

Mr. Duce: That is correct.

Mr. MacDonald: Is that one of your concerns in BC?

Mr. Duce: It is perhaps less of a concern than it was in Alberta, and the Alberta restriction on Safeway's growth pertained only to the cities of Edmonton and Calgary essentially. They were allowed to grow however they wanted in other areas, but essentially what they were trying to control was the situation in which the proliferation of shopping centre facilities virtually controlled the market; they had all the locations tied up and to further allow their growth would have led to an impossible situation of over-control by one supplier. We don't have quite that same situation in BC, not anything like the Alberta concentration.

Mr. MacDonald: Before I leave this question of objectives for your overall study, I was rather interested in the first sentence in chapter one. You said one of the factors which contributed to the establishment of the committee and its research program and public hearings was what was felt to be unreasonably high food costs in British Columbia; in other words the position or the impact on the consumer. I was rather struck in reading this report that there is relatively little reference to the consumer.

Mr. R. Smith: In the report on rebates and allowances?

Mr. MacDonald: Yes, the only one I have had the privilege of reading, the one on rebates.

Mr. R. Smith: The objectives of that report were not in measuring the final effects of those particular items on the price of food, which we are summarizing elsewhere. We were really trying to describe how the system works, and more of the effect on the supplier and buyer in the system than the effect on the consumer, because we are examining that on a commodity grouping basis. You know, you cannot just make generalizations and look at the margins on one product or another and come to some conclusion about these particular rebates or whatever they may be and what effect they have on the consumer. With every corporation we use different products for different market purposes.

Mr. MacDonald: A number of your reports will deal with the impact on consumers generally or on commodity range?

Mr. R. Smith: Yes.

Mr. Duce: Perhaps the other point with respect to that is that this report essentially was put out because of a significant amount of pressure at this time. It was intended that it would come out with a series of other reports that would look at advertising, packaging, various other activities that are very inter-related; and at the point, when we get those reports out, we will be in a position to say: "Look, the total impact on the cost of food by these programs is such and such"; but to try and relate that specifically to this program is pretty tenuous.

Mr. MacDonald: Am I correct that all those reports will be out by September and that we might have the benefit of them back here in Ontario?

Mr. Bawtree: As soon as all the reports are out I am quite sure you will have the benefit of them. With some of the reports, as I have indicated, it may be quite some time before they are actually finalized, because although we have the information that is necessary for the committee to come up with their recommendations, some of the background reports are taking an awful lot of time, particularly when you are looking at statistics which are related to land and this sort of thing. Although we have the figures, the final reports on this particular aspect of it might be quite late. For instance with our mapping, we produced the maps that we needed for our committee use, and we produced one each of 350 maps or something like that. But this wasn't much good if we

really wanted to have this information available to everybody in the province. We decided to create these maps so that they can be duplicated and be available across the province.

Mr. MacDonald: They have a very special interest to BC; but in your general study of other aspects of the industry, will those reports be out by September?

Mr. Bawtree: I would think so.

Mr. MacDonald: Could I focus for a moment on volume discounts? Has the government in British Columbia been concerned about discounts to the point that they have been periodically obliged to intervene and persuade the industry to cut out discounting procedures?

Mr. Bawtree: No; this isn't true at all. In fact, as I mentioned, particularly in the broiler industry and the activities of the broiler board, their activities just lately in offering discounts to the retail sector in order to move some product was quite successful. I would suspect the committee may try to encourage this sort of thing rather than discourage it.

Mr. MacDonald: Perhaps I am not communicating too clearly. In Ontario we had instances, back in 1972, where supermarkets were engaging in discounting that allegedly was offered by the suppliers or the growers, but there was some doubt as to whether or not it was imposed. The government, through one of the agencies, intervened and persuaded them to stop. They stopped; but it has tended to recur periodically ever since. Dealing with that kind of discount, which is conceivably coercive, are you wrestling with that problem and intervening periodically to have them cease and desist?

Mr. Bawtree: No, I would say we are not. All we are concerned about is making sure the discounts that are offered are offered equally to everybody. Then it is pretty hard to coerce the total industry.

Mr. MacDonald: This is a rebate; this is a proposition where there is a discount and the grower has to take so much less or he has to rebate so much. You haven't had that problem?

Mr. Bawtree: No; we haven't had that problem at all.

Mr. MacDonald: BC is very pleased.

Mr. R. Smith: The growers have never been involved in any situation of that nature in British Columbia that we are aware of.

Mr. MacDonald: That brings me to another point: I was mildly incredulous—

Mr. S. Smith: Is the system the same in BC with the growers? Do the growers sell directly to the stores and so on, or is there sort of a monopolistic situation?

Mr. MacDonald: They have 11 marketing boards.

Mr. R. Smith: Mostly through marketing boards.

Mr. S. Smith: Most of the produce is sold through a marketing board then?

Mr. MacDonald: On page 76, for example, you say there is no evidence of a producer being delisted solely because the supplier wouldn't participate in rebates or promotional plans, such as co-operative advertising and merchandising. None at all?

Mr. R. Smith: None.

Mr. MacDonald: Let's just analyse the word "delisting." Have you ever had an instance where they weren't delisted but they just didn't buy from them anymore?

Mr. R. Smith: That's essentially the same thing.

Mr. MacDonald: Agreed. No evidence of that?

Mr. R. Smith: Not one supplier said that had ever happened to them. We have evidence of people being delisted, and delistings are occurring practically on a weekly basis. But in no instance did a supplier come to us and even make the allegation, whether it was supported or not. Nobody made the allegation, "I was delisted by virtue of having refused to go along with a rebate or an allowance."

Mr. MacDonald: I am really forced to the conclusion that our situation is worse, Mr. Minister.

Mr. R. Smith: It's not as though we just sat there for a year waiting for them to come along and say something. Every single processor was contacted and it was part of the questioning. Questions were put to them covering the entire subject of the various volume allowances, volume discounts and so on, and how they affected them. I personally know almost all the people in the processing industry in British Columbia, because that's the job I am in on a full-time basis. None of them have had that particular complaint.

[9:30]

Obviously, most people get something delisted now and then if it's not selling. There are new products coming into the marketplace constantly and something has to go. One of our retailers has even sent out a letter to all suppliers saying "We have a warehouse

that's too full; we have too many products and we are going to have to delist some." He requested from those suppliers their advice as to which of their products they would delist first.

Mr. MacDonald: On page 75 you say—forgive me for rushing ahead, but we have this time constraint here—"Wholesale-retail magnizations often argue that their policy of pushing the promotional costs of new and existing products onto the supplier will save the consumer money. This is not a valid argument; it doesn't matter who pays, the supplier or the retailer, since any cost incurred during the production, processing and distribution of food . . . has to be picked up at some point."

We have had the argument presented to us by retailers here that it does represent a saving; that it's promotional, it's selling more and therefore they can sell at a lower price and so on. This has been one of the rather regular arguments by most of our big chains. You seem to dispute that.

Mr. R. Smith: The argument that I dispute is that it matters, assuming the promotional cost to be equal, whether the supplier or the retailer pays. It doesn't seem to me that it matters very much which pocket it came from.

Mr. MacDonald: You mean to the consumer.

Mr. R. Smith: No, nor to the end price of the product, whether one organization paid at particular cost or the other organization paid it, as long as it is only paid once. It is still going to be a part of the total cost of that product, or of doing business with that product. I don't think there is a particular saving to the consumer whether one organization pays it or the other organization pays

Mr. MacDonald: Have you ever heard the argument in BC that co-operative advertising is a means of making a profit on advertising? That the aggregate of the contributions made by all those who participate in the co-operative advertising is more than the cost of the ad?

Mr. R. Smith: That's a long sentence.

Mr. MacDonald: It's a long process, but it adds up in money; that's the allegation.

Mr. Duce: The answer to that, though, is that what is being sold in many cases in a co-operative advertising program is more than the ad. What is being sold in many cases is a combination of an ad, some island displays, self-talkers and various other things. And who knows what the cost of those are?

I used to be in the oil business and one of the questions we ran into, with respect to a government committee as a matter of fact, was "What is the true cost of manufacturing a gallon of gasoline?" Nobody could tell you. There's nobody in the world who could tell you what it costs to produce a gallon of gasoline; because at the same time you are producing propane, heavy oil, diesel fuel, and the cost of all of those products has to pay for the cost of the refining process. But what it costs to produce gasoline, nobody knows.

It's the same kind of thing. If I were to take out an advertisement in the Globe and Mail, it is going to cost me maybe twice as much to take it out in the business section as on another page. It certainly isn't going to cost twice as much to print it in the business section. Prime time on TV is the same kind of thing. It doesn't cost any more to produce it; it is just that it's worth more and therefore you charge what the buyer will pay.

Mr. MacDonald: It's part of the problem of how you fix costs. You are often told by an industry that they can't sort it out; then a year later you find out they have got it magnificently sorted out for their own purposes internally. It's a case of when you can get the whole story.

Mr. R. Smith: It depends on how you allocate your costs.

Mr. MacDonald: Right, I concede that.

Could I focus for a moment on the impact of what is happening in the industry on the small suppliers? I was interested in one delphic oracle sentence in your report on page 76: "Protection of the small supplier in his dealings with the large buyer is a problem with no apparent solution." Are you saying that they are not only potentially at a disadvantage but are being hurt, and that you don't know how within the operation of a free market anything can be done about it?

Mr. R. Smith: Within the free market system of buyer-seller relationships, I am not really sure how you are going to protect the small seller from the big buyer. We have another relationship as well that we have never discussed here, the relationship of the large supplier to the retailer as well, which is quite different indeed. I don't want to beg your question here, but I want to bring in a point that was being discussed about concentration. We are just as concerned, or perhaps more concerned, with concentration at the processor level as with concentration at the wholesaler-retailer level. The concentration in the area of processing quite often goes unseen. The retailer is continuously in

the public eye. We are talking today about wholesalers and retailers, which is something we see all the time. We are not talking about the very large corporations in the processing sector.

Mr. MacDonald: Do you mean the brand-name operations?

Mr. R. Smith: The big brand-name companies which we see as having quite serious effects upon the ability of our producers to enter the marketplace; not a function of the retailer and the wholesaler, but a function of the large processor.

Mr. MacDonald: Coming back to the small processor in his relationships with the big supermarket chains, particularly if he has to compete with vertical integration within the chain, which is lessening competition and getting us back perhaps to the conclusion that the study on Bell Canada this morning came back to. We have had evidence from the small processors in the province of Ontario that the demands for discounts of one kind and another are eating up what little margin—almost a survival margin—that they had. They are being driven to the wall. Are you finding that kind of thing?

Mr. R. Smith: We have exactly the same complaints in British Columbia from many small processors. One of the things that Mr. Duce said earlier was that the function of good and poor management has a lot to do with this. We may appear to be on the side of the large wholesaler and retailer, which is not the case. We think the small supplier is a very important part of our agricultural and food economy in the province.

One of the functions of our Ministry of Agriculture is trying to supply help, information and technical expertise to those particular suppliers in improving their efficiencies of production, seeking new markets and dealing with the wholesalers and retailers in the province to make sure they do get that product into the marketplace. We have had very good support by the local retailers and wholesalers.

As to what you have said about the type of complaints that come forth from the small supplier, we have that. In fact we had just recently a rather unhappy case of a french fries processor who started up in British Columbia and who complained to us about having to supply volume rebates and having to supply advertising and promotional allowances and so on.

He indicated to us originally that he was not getting market distribution and that he was not going to pay those kind of volume rebates, but he expected the industry to carry

his product, even though he wanted to play the game a little differently than everybody else who sold french fries. It's rather hard to find a difference between one french fry and another. When we did a survey across the province, we found his product in every major chain across British Columbia.

He got very good coverage. He got his product into the market system. He got advertising. Other products were delisted to put him in there. National brands were delisted to put that product in. Every retail and wholesale operation in British Columbia supported that processor.

He's no longer in business. It had nothing to do with that. He certainly had good distribution while he was in business. That's the subject of another report which Mr. Duce wrote. Whether or not he was paying volume rebates, which it turned out he was, he played the system exactly the way everybody else did, he did get excellent distribution and support by the retailers.

Mr. MacDonald: Let me go to the opposite end—

Mr. S. Smith: May I interject? Take it off my time if you like, but I listened to that story with the greatest of interest. I heard of a guy who didn't want to play the usual game, got great coverage despite that, ended up playing the usual game, and then went out of business. Is that the story?

Mr. R. Smith: That's very true. But it's not cause and effect. No. In fact, there are other—

Mr. S. Smith: I've heard enough.

Mr. Yakabuski: He wasn't like McCain, he didn't have the friends in Ottawa.

Mr. R. Smith: In summary, that is subject to another report.

Mr. MacDonald: Watch out. They are being sued in Ontario for making comments on McCain, so watch out.

Mr. Duce: We have a report called *The Impact of DREE in Western Canada*; if you would like to read that, there are some very interesting comments relating to this particular processor.

Mr. MacDonald: Mr. Smith, you were talking earlier about the ma and pa stores, and your comment was that you, as research staff, had asked for the objective in terms of size; and therefore what the objective of the whole exercise is to be, what does the government have in mind, what does the Legislature have in mind.

We have had evidence, I don't know if we have had it testified to us but I have certainly had it privately from small grocers,

that on many occasions the volume discounts, and all the other discounts that a super-market is able to get, is such that he can retail his product at a lower price than the ma and pa store down the street has paid wholesale for it. Isn't that, inevitably, a case of volume discounts contributing to the big getting bigger and therefore augmenting this whole process of concentration?

Mr. R. Smith: I think we have concluded that volume rebates are in favour of the largest buyer. I mean that's inherent in the manner in which they are designed. That will provide for the largest buyer a lower net price, yes; but in our province those ma and pa stores, the little corner stores the majority of them, buy their goods from Kelly, Douglas. Kelly, Douglas, as a wholesaler company, has a variable upcharge, different than a discount, depending upon the volume that the individual store or buyer purchases from that wholesaler. Those stores once again could get together in little groups in order to get their upcharge down.

Mr. MacDonald: I'll figure all that out as I read through it too, but isn't there another impact here? We have had some suggestion, indeed I think some testimony, that if the large chains are seeking significant rebates what the manufacturer or processor has to do is raise his wholesale price the significant proportion he's giving to the chains so that he's at least going to survive or make some money. The result is the wholesale price to everybody else is going to be that higher wholesale price. Therefore by this process you are raising the price to the consumers.

Mr. R. Smith: I don't follow that.

Mr. MacDonald: What's wrong with the logic of that process?

Mr. R. Smith: We are talking about the supplier to the wholesaler or to the individual buyer.

Mr. MacDonald: We are talking about the wholesaler or the processor through to the retailer. The retailer demands a great rebate. He gets a discount of 10 or 15 per cent. In order to survive, then, that wholesaler or processor has to increase his wholesale price, because he knows he's going to have to give a discount; so it's an artificial increase, but having increased it, that's the wholesale price to everybody else.

Mr. R. Smith: He's got one price with varying rebate levels. I know what you are talking about, the net price.

Mr. MacDonald: The wholesale price is an artificially high price because he knows he has to pay such a significant discount to the big retailer.

[9:45]

Mr. R. Smith: But that's part of the theory of volume production and volume rebates; if he has that particular large account, his production runs will be longer and he will have a degree of security in planning ahead. If he supplied only a large number of little outlets with what he produced rather than getting the economies of scale of production—we don't know what they really are, of course, but I think we can make some assumptions; having been a processor myself, I know that if you have long runs and a reasonably assured marketplace you're going to be able to make savings.

I think the large corporation that's going to get the largest rebate is going to have a lower net price, yes, I'm not going to argue that at all.

Mr. Duce: Perhaps there is one other thing that relates to your comment on the supplier and his role in relation to a large buyer. In going to the suppliers in the province—and we went to virtually every processor-supplier—we asked them to break down their costs. In many companies they had no idea what their costs were; they simply followed a price set by—perhaps the most informed processor. In a group where there are maybe five people supplying a very specific, similar kind of product, we find that one of them will know what it costs him to produce that product and virtually the others are following his price level.

Mr. MacDonald: Sounds like the automobile industry.

Mr. Duce: It happens at the small business level just as much as it happens in big business. Basically, some of the people couldn't answer the questionnaire in the form we put it to them, because they didn't have the information. We had to sit down and work it through with them, based on what they did know about their business, and come as closely as we could.

What this does is it brings up a very important problem: We're spending a great deal of money in British Columbia with respect to extension activities to improve productivity and performance at the farm-gate level, but here's another area where extension activity is just as important and we're not doing anything about it.

Maybe you are here. You do have a Ministry of Agriculture and Food, and ours is not at that point yet.

Mr. MacDonald: I want to ask you, at what point?

Mr. Duce: We have a Ministry of Agriculture. Food is not a part of it.

Mr. MacDonald: So do we.

Mr. Duce: Okay.

Mr. MacDonald: Let's not get into that at the moment. I have one final question—

Hon. W. Newman: You'll lose the rest of your time if you do.

Mr. MacDonald: I was interested in your earlier comments on the United States experience. You said, Mr. Smith, that you don't profess to be an expert on it, and you repeated many of the reservations that spokesmen, independent and arm's-length spokesmen in the United States, say about various things that have been done there. But you made the comment that according to the US food industry representatives interviewed by the staff, "volume rebates are rare and most volume concessions are awarded by suppliers at the time of the purchases on the discount price."

A little later you say: "The restriction of discounts to railcar and truckload maximums reduces the ability of powerful buyers to obtain added price concessions from their suppliers and lessens the ability of large suppliers to undercut their small competitors by offering large-volume discounts."

It strikes me that all of those look like advantages.

Mr. R. Smith: Yes, they do.

Mr. MacDonald: They look like advantages, particularly when, after a month's investigation here, only scratching the surface, we find the most infinite variety of devious procedures. I mean, why do you go through the procedure of rebating and having to send a cheque back? If they're going to deduct something from a farmer and this is below the regulated marketing price, the IGA store says: "No matter. Just add that six per cent on your invoice next time; we'll take the six per cent off and pay you what the regulated price should be." We find these devious techniques, one after another—which must be mind-boggling in the accounting process. For example, when we talked about Inter-save, where they had to send the cheque back periodically to him, even Mr. Nichol said that on second thought his company should do it internally rather than having to have the cheque sent back periodically from outside.

Mr. R. Smith: You look puzzled. I wondered if that was a question or not.

Mr. MacDonald: What I'm saying is that you have expressed some reservations about the American situation being any better. Aren't all of these moves that would at least clean up the situation in Canada and make it much less complicated?

Mr. R. Smith: I believe our conclusion was that on the surface it appeared to be a simpler and more equitable system for the small purchaser who could still afford to buy in rail-car size lots, which is a pretty fair-sized purchase. However, that was what we thought you see at the first look, that this was designed to give the same advantage to the person who can buy one car load as 25 car loads. This is why we strongly believe that a much more intensive study of that US system and what it has done, what structural effects it's had and what economic effects it's had, should be undertaken, because that has not been done.

Mr. MacDonald: What about the rarity of volume discounts and the fact that it's always a discount off the invoice, so that you don't have to go through this very complicated arrangement? Wouldn't that reduce a lot of the mystery and dispel a lot of the suspicion that the Intersave thing created, that you conceded?

Mr. R. Smith: I think the suspicion and confusion is one of poor communications, not something necessarily built into a system that's completely wrong. I don't think I would care to claim that our Canadian system of volume rebates is all that insidious and wrong. We have a different system. Some of the American companies and people think our system is better than theirs. We think their system is better than ours. It depends upon your view.

I certainly don't think, based on what we've done or what has been revealed as far as I know here, that one would want to make a judgement that their system is better—not at all. I think you've got to base a decision on that after some comparative analysis. If you want to compare the two systems, assuming that's the objective, you've got to examine them in both a structural and an economic sense, not just on the fact that there are five or six wholesalers in Washington and we've got two in BC. So what? What is better for the producer and what's better for the consumer?

Have they encouraged more small processors in the United States? If so, is that more efficient? Have they encouraged vertical integration, which many people say is the case? Is that good or is that bad? I think those particular national questions have to be settled by the federal consumer and corporate affairs people. I don't think any of us, as provinces, can do that.

Mr. Chairman: You've run out of time, Mr. MacDonald. Thank you very much. Mr. Yakubski.

Mr. Yakabuski: You mentioned that the inquiry you undertook in BC was similar in many respects to an American congressional investigation, long considered to be one of the best systems in the world. Would you enlarge on that a little? I don't have the benefit of the thick book you brought.

Mr. Duce: Basically, the intent of that comment relates to the whole process of judicial inquiry. One of the things we were saying here is that a system which balances circulation and evaluation of public opinion with some circulation and evaluation by independent research, that combination is probably going to get you a better result than something which concentrates on one or the other, independently. The US congressional system, since it does utilize that system—in fact, it does hold public hearings with significant independent research—the combination of that kind of activity probably leads to better results than something concentrated on either one way or the other.

Mr. Yakabuski: You are comparing that to the most common type of hearing that would be found in Canada, or one of the provinces of Canada. Is that true?

Mr. Duce: That's true. The select standing committee on agriculture, of course, is something that is set up in every legislative session. On three previous occasions, the select standing committee on agriculture in BC was given terms of reference that were very similar to the terms of reference we have been given. In each case, they went around the province holding public hearings and prepared a report which was presented to the Legislature. Many of the recommendations of those previous reports we agree with, but most of them have not been implemented.

Basically, the reason behind the members of the committee, and particularly Mr. Bawtree in setting up this hearing in the way that he did, backed up by the research, is that the reason their recommendations were not implemented is that they were based very much on a kind of a gut feel of what really needed to be done without the solid data to back it up to establish that yes, this was in fact what needed to be done. I guess that's what it's relating to.

Mr. Yakabuski: Would you say, then, that in that kind of hearing there isn't the political positioning and grandstanding that you would find in a similar committee here in Canada or one of the provinces?

Mr. Bawtree: I don't really know just what grandstanding has been going on.

Mr. Yakabuski: Well, you're only here tonight.

Mr. Bawtree: On our particular committee, which we've had going for quite some time on the food industry in BC, we've had practically no grandstanding whatsoever, and I think it has worked out very well. I certainly agree with what Mr. Duce has said, that when you have public hearings you don't really get many answers. You get people telling you what the problem is, but you don't get many answers. In order to find the answers based on a lot of information, you have to go to research people, consultants.

In the past, our select standing committee has listened to a lot of the complaints all around the province and then has come up with what it thought might be an answer to solve these complaints. But, in actual fact, very often the recommendations weren't implemented, because nobody really had enough backup information to decide whether they really were an answer or whether they were going to compound the problem. This is really the reason we've gone this particular route.

Mr. Yakabuski: You mentioned there were some fears in the beginning on the part of producers, or whoever, to come forward, but those vanished as your hearings went on and you found it much easier to obtain the information you sought and there seemed to be much better co-operation as your hearings went on. Is that correct?

[10:00]

Mr. Bawtree: Yes, that is true; and I think it's understandable, because the industry, particularly the wholesale-retail processing people, didn't like anybody interfering with their procedures, their business.

To start with, they didn't really know to what extent we were going to make all this information available to the public, but as time went on we were able to convince them our sole objective was to take a very broad look at agriculture and the food industry in British Columbia to see how it was operating and to see whether there were changes that could be made to everybody's benefit. It was in this light, the confidentiality that we guaranteed to the various segments of the industry, that I think gradually brought about a change where they have co-operated very well.

I know that the cost to the industry in compiling the information that we've asked for has been very significant. It has cost some of them probably \$20,000 just to answer some of the questionnaires yet they have done it and without a great deal of

protest, except in one instance, as I say, and we did lean a little bit on that one.

Mr. Yakabuski: Did you determine, as you went along, and did the people who, at the outset, possessed some of these fears, determine as they went along that there wasn't any real foundation for them?

Mr. Bawtree: Are you talking about the fears that we might disclose information or give some competitive advantage to their competitors?

Mr. Yakabuski: No, that there might be some retaliation or something along those lines?

Mr. Bawtree: No, I think the industry indicated to us that if there was anything wrong in the industry, anything illegal going on, they were just as interested as we were in finding out what it was.

Mr. Yakabuski: As you went along in those hearings, did those fears vanish?

Mr. Bawtree: I believe so. As I indicated earlier, the wholesale-retail processing sectors of the industry did not come to us at our public hearings that we had in the original instance. We had, as I mentioned, a series of public hearings where we invited everybody to come on their own, if anybody had any information that they wanted to give to us. We had individuals—some people might say they were little old ladies in tennis shoes—and we had the large agricultural enterprises come to us, but we didn't have too many of some sectors of our industry and, therefore, we invited them to come. At that point in time, of course, we gave them a date when we would like to have them there, or a choice of dates, and they came and gave us the information in front of our committee.

Mr. Yakabuski: You have spent about a year working on this report to date?

Mr. Bawtree: Yes, a little more. We started in April 1977.

Mr. Yakabuski: You've done considerable work.

Mr. Bawtree: I think so. It was a greater undertaking than what I had originally envisaged.

Mr. Yakabuski: There's one thing that I was interested in, and I think your committee looked into it. At one time—at least two years ago—a lot of BC residents took off on a Saturday or Sunday and went 30 miles south of the border and bought food. What was the reason for this?

Mr. Bawtree: There is a report out which is available to you. It's been tabled in the

House and it's a report on cross-border shopping and it outlines the amount of money that's been spent and where it was spent in the food industry particularly, and just what impact it had on BC. All these figures are available.

There's probably no one simple reason but obviously the value of the Canadian dollar at that point in time was a pretty significant thing, and as the dollar changed it has had an adverse effect from the American's point of view and a very good effect from the Canadian's point of view, but it's still going on.

It's surprising the number of people who still go across the line and pick up groceries that may well be costing them more money but they happen to want that. It's probably the thing to do. They're out on a holiday. A lot of our people actually have summer homes down in Washington state and they spend quite a bit of money there, even yet, and yet the actual economics of it may not be that good.

Mr. Yakabuski: Two or three years ago, would that have been one of the many reasons why this whole exercise began?

Mr. Bawtree: Certainly one of the reasons, yes.

Mr. Yakabuski: You mentioned—or did I hear you correctly—something about someone that the industry should report to, someone who should act as a watchdog in so far as food prices are concerned. Were you thinking of another tsar like Beryl Plumptre or somebody?

Mr. Bawtree: No, that's not so. What we were thinking of is that when people have concerns about what's going on in the industry with regard to rebates, allowances, discounts or whatever, they should be able to go to somebody and find out just why these are taking place—and if they are taking place. From some of the questions that have been going on in the Legislature in BC it would indicate that everybody is not quite as well informed as they might be on the subject.

Mr. Yakabuski: I have just one quick last question. Do you think that some of your marketing boards should be getting into promotions more than they have been? They've been setting prices and seeing that this is being enforced, and seeing that the producer gets a fair price. But you mentioned one commodity, I think it was broilers, where a marketing board really did a promotion and did the industry a great service. Do you feel that marketing boards should be doing more of this?

Mr. Bawtree: That's my own personal feeling. The committee has not made any recommendations on it. However, some of the other members of the committee, I think, probably don't feel that much differently than I do about the marketing boards have a tendency to be too protective and inward-looking in many instances.

Mr. Yakabuski: I wanted the minister to hear that, thank you.

Mr. G. I. Miller: How much time do we have?

Mr. Chairman: Your party has 19 minutes.

Mr. G. I. Miller: How do the marketing boards work out there? Is everything sold directly to the marketing board and then to the wholesaler?

Mr. Bawtree: There is quite a variety of marketing boards. Some of the marketing boards, such as the tree-fruit marketing board, are really a single-desk selling agency. You must sell through that unless you're one of the, what we call, renegades; they're a very small handful of people who don't sell that way. But 96 per cent or 98 per cent in that particular industry sell through a central selling desk.

Mr. G. I. Miller: So there is a variation?

Mr. Bawtree: There are many variations. That one, tree fruits, doesn't have any supply management capabilities but some of them do. Our milk does, our broilers do, our eggs do and industries like that.

Mr. G. I. Miller: What portion of the market does the supermarkets have compared to the small businesses?

Mr. R. Smith: The major supermarket chains?

Mr. G. I. Miller: Yes.

Mr. R. Smith: Less than 75 per cent.

Mr. G. I. Miller: What about the processing industry? What's the proportion there? Are processors declining in number?

Mr. R. Smith: Only in the processing of fruit and vegetables. They have been declining in number but that is mostly due to supply of product and our very high labour costs. We're producing products to sell across this country and our labour costs are considerably higher than most are.

Mr. G. I. Miller: That makes it difficult. Can you compete with the American market?

Mr. R. Smith: We think more in terms of trying to compete with the Ontario market. Seriously, our processors look at the problems of their costs in comparison to Ontario processors or Alberta processors of vegetables

and that sort of thing. We are at quite a comparative disadvantage in that.

Mr. G. I. Miller: What percentage of your produce is imported? Is there much from other provinces or do you export?

Mr. Duce: That really depends on the commodity. Despite all that you've heard, we don't grow many bananas in BC.

Mr. G. I. Miller: No, but some of the things that you do grow.

Mr. Bawtree: In total food we are roughly 43 per cent self-sufficient—that is the figure we have come up with. I don't know how scientific that figure is, but I would guess that is fairly close—in total food.

Mr. G. I. Miller: Perhaps I could ask you Mr. Bawtree as a member of the Legislature, is it a concern for you in this study to expand the employment possibilities as far as agriculture is concerned?

Mr. Bawtree: Yes, there are many things we would like to be able to do. We are only, as I said, about 43 per cent self-sufficient. If we could get up to 60 per cent or 70 per cent our provincial balance of trade would be improved considerably and everybody hopefully would benefit from that, including more jobs and less money going to either the Americans or to Ontario for food.

Mr. G. I. Miller: Would you say you are importing more from the States than you are from the rest of Canada?

Mr. R. Smith: Only in fresh produce.

Mr. Bawtree: In fresh produce we do. In some instances, of course, everything. Some of our fruit comes 100 per cent from across the line—I am thinking of bananas, oranges, grapefruit and that sort of thing.

Mr. G. I. Miller: Are you in an exporting position as far as apples and fruit are concerned?

Mr. R. Smith: Absolutely.

Mr. Bawtree: Yes we are.

Mr. Duce: We have certain commodities—for example, cranberries—where the BC production is in excess of double the Canadian consumption, and there is a very significant net comparative advantage to BC in that product. It is one of the physiological aspects of BC. But there are other products, in our fresh vegetables, for example, where we are seasonally self-sufficient, but not on an annual basis.

Mr. G. I. Miller: Just one final question: what about family farms? Is there a trend to improve the family farm position?

Mr. Bawtree: One would assume that the various subsidy programs that have been developed over the last few years would encourage and retain the family farm. I think that is a true statement.

Mr. Eaton: You mentioned in your report that you would recommend that consumer affairs or agriculture and food have some sort of complaint mechanism. Are you aware of the food council in Ontario, and their handling of those kinds of things?

Mr. R. Smith: Yes I am quite familiar with it.

Mr. Eaton: Is that what you were thinking of; something similar to the food council?

Mr. R. Smith: Something of that nature. We are essentially looking at the form of an ombudsman, if you want to use that kind of term. We find that many of the problems that occur, and much of the friction, are through a lack of understanding of what is taking place.

Mr. Eaton: A question on the marketing boards, and the discount practices or rebate practices: Do any of the marketing boards, other than on a particular promotion like you mention, give discounts or rebates to the chains in any of these situations?

Mr. R. Smith: No, they don't.

Mr. Eaton: They are not involved in that at all? I think you did mention that no producers have been prevented from selling their product direct because of any rebate programs, or demanded that they participate in advertising programs.

Mr. R. Smith: There are very few situations where producers sell direct to retail chains or wholesalers. They either go through marketing boards and agencies, or they may supply on a small local basis, but not directly to a chain.

Mr. Eaton: Thank you, Mr. Chairman. I think there is one minute left for the minister to question.

Mr. Peterson: I have just a few disjointed questions. Did you find any examples of violation of marketing board prices—selling below marketing board prices, through coercion or through any other device?

Mr. Duce: There are activities that are in violation of marketing board practices. For example, I think the chairman mentioned the rebel group with respect to the tree fruit industry. We also have a situation with respect to—

Mr. Peterson: I had the impression when he was talking that was a generally accepted practice in the trade though.

[10:15]

Mr. Duce: I would say it is the exception. There are problems in the potato processing area right now and the marketing board control of that, largely because there is an enormous surplus. The producers are saying the marketing board isn't able to put it on the market right now, so they are doing a little peddling on the side.

Mr. R. Smith: I think I know what you are getting at, and there is nothing in the nature of what you are inquiring about.

Mr. Peterson: Did you see any evidence of any unnegotiated discounts taken? Did you see any producers, or any suppliers, end up with a cheque that was less than their invoice through an unnegotiated discount, or we have had the odd little example of?

Mr. R. Smith: Absolutely not.

Mr. Peterson: On the issue of concentration, I would very briefly like—

Mr. Duce: There are some similar situations but they are not really the same kind of thing. We have had some allegations from some people, particularly in the vegetable business, that inordinate discounts for damage in transit have been taken. That has essentially been a localized thing that we are investigating.

Mr. Peterson: Any conclusions on that so far? Were they taken advantage of by monopoly buying position?

Mr. Duce: I think it was probably a mixed bag. It is a problem where some monopoly advantage was probably taken, but there was also some incredibly bad packing and preparation. It is not clear one way or the other.

Mr. Peterson: We were talking about concentration. I am interested in your reaction on the trends in concentration, not so much what has happened to date, but what has transpired over the last 10 years. Obviously we are going to have to deal with this in philosophical, political sense, but I am interested in the trends in BC over the past 10 years. Could you give me a brief overview of that situation?

Mr. R. Smith: The wholesale and retail trade has become more concentrated, yes.

Mr. Peterson: By what percentage numbers? What figures?

Mr. R. Smith: I don't think I'd put a percentage on it, but let's say we had more than one major wholesaler 10 years ago. They have all merged. Those wholesalers have merged into one wholesaler today.

Mr. Peterson: What about at the retail level? Are you seeing alarming trends in the past 10 or five years?

Mr. R. Smith: Not over the last five or eight years. I don't think there is a rapid reduction in independent markets now.

Mr. Duce: In the last five years probably the trend has been to greater independents rather than to greater chains.

Mr. Peterson: So the trend is going the other way now?

Mr. Duce: At the retail level.

Mr. R. Smith: Let me expand on the trend in British Columbia at the retail level. Kelly, Douglas is very rapidly franchising or, essentially, selling its store back to independents.

Mr. Peterson: What percentage of the market does Kelly, Douglas have there? Is that public knowledge?

Mr. R. Smith: No, it isn't.

Mr. Peterson: You don't have public figures on market percentages?

Mr. R. Smith: There are a lot of different public figures on market percentages, it depends upon who measures them. I think many of them are undependable.

Mr. Peterson: My only thought was, as I said, the trends are more alarming than in fact the numbers. If it is moving dramatically one way or the other, one has to be more on guard, I suggest.

Mr. R. Smith: Yes.

Mr. Peterson: We talked about profits and losses, and I know a lot of the numbers you got were in confidence, and I am not asking you to violate that. To the best of your ability, and giving as much information as you can without violating those confidences, could you tell me what kind of return on investment and sales is being generated in the retail and distribution business?

Mr. R. Smith: Return on sales doesn't change much anywhere. It varies anywhere from half a percent, or even a little lower than that for some operations, to one and a half per cent at the outside. But that is the return on sales. The returns on investment, shareholder equity, and so on, I don't have those at my fingertips. But we can supply those to you.

Mr. Peterson: I would be interested in this. Could you tell me how they compare with other industries? Did you do any ranking? Did you determine if they are excessive? Obviously that is a very hard question.

Mr. R. Smith: They are certainly not excessive. They were no higher than the type of figures reported a couple of years ago by the Food Prices Review Board. We will supply you with those figures in our profit report.

Mr. Peterson: I understand Dominion has about 14 per cent return on investment after tax. Is that about the kind of numbers you saw?

Mr. R. Smith: I would say they were lower than that.

Mr. Peterson: Mostly lower than that. I know this is premature, but this committee has some important decisions to make in the very near future and I would just ask you for the last little bit to stretch with us a bit. Do you think there are going to be some recommendations about provincial legislation coming out of your committee? I am not trying to hold you to this, but what do you think those will be?

If something else happens, we wouldn't blame you for it. I realize I am putting you on the spot, but with the time constraints we have, you could be very helpful to us.

Mr. Bawtree: I am not going to give you any ideas as to what recommendations will be coming out. I will just show you some of the things that might be coming out. We are doing a cost of production in British Columbia. If we find, as we suspect we will, that the cost of land is one of the things where we are out of step with most of our competitors—this is going to be a very contentious issue in our committee and that's why I mention it at this point in time—if we find that agricultural land prices in Alberta, Washington, Oregon and other areas have a much lower land price than we do in BC and if we also find we have a lot of land that may be of limited agricultural potential locked up in our present land freeze in British Columbia, there may be some inclination to release some of this land in order to try to reduce the price of agricultural land.

That is the sort of thing we are going to get into. I would think, as we look at our cost of production in British Columbia and compare it with other places, outside of land, we may find that labour is one of the very high costs that we have compared to our competitors. We may find that there are other things. For instance, we may find that in the US—and we are taking a pretty hard look at that—their subsidies may be pretty significant, though they are done at a different level. Rather than at the top level, the end level or the output level, they are done at the input level. They let all the producers fight amongst themselves after these subsidies have been put in at the bottom level. In other words, irrigation, fertilizers and this sort of thing are subsidized to a significant degree in the US which is one of our chief competitors.

We may be wanting to make recommendations on that subject as well.

Mr. Peterson: Do you think you will be making any recommendations about concentration—I know I am putting you on the spot here—or about discounting practices and structures, or do you think you are going to be saying you'll leave it alone?

Mr. Bawtree: Certainly we will be making recommendations if we find practices going on that we think are detrimental to the best interests of the producer, if the producer is having difficulty getting his product on the market. We are looking at trying to change our export-import picture. If this is being detrimental to the producers, then certainly we will be making recommendations on that.

Mr. Peterson: Are there any other areas you can help us out in?

Mr. Bawtree: There are a great many protection tariffs. There are problems of urbanization, particularly in a ranching community, but all agricultural communities have experiences due to urbanization. I would imagine there are going to be many hundreds of recommendations coming out in our final report.

Mr. Chairman: Thank you very much, Mr. Peterson. I would like to remind the members of the committee that we have five minutes in which to get up to the House for a vote. Do you want to spend another few minutes questioning the gentlemen?

Mr. Hennessy: do you have very many questions?

Mr. Hennessy: I have just a short question, Mr. Chairman. Many times during this hearing various members from the opposition parties mentioned about a listing or a spot on the shelf where down east they were paying \$3,000 to \$8,000 and out in British Columbia from \$5,000 to \$25,000 to get a listing in the store of a product. Has any of that ever come to your attention?

Mr. Bawtree: Yes. We have the charges of the various chain stores for listing, particularly if it is listing in certain parts of their stores. It is usually combined, as Mr. Duce has said, with other promotional enterprises at the same time. Obviously the best spot in the store is that shelf that is at just the right height; it demands a premium and gets a premium.

Mr. Hennessy: Are those charges substantiated? There are lots of charges made but are they ever proven?

Mr. Bawtree: Oh, yes.

Mr. Hennessy: Thank you.

Mr. Bawtree: Mr. Chairman, Mr. Smith would like to make a comment on that.

Mr. R. Smith: Before you dash away, think Mr. Bawtree was saying that yes, listing fees exist, but they are strictly for the introduction and promotion of products. They are not just the sale of a foot of shelf space.

Mr. Hennessy: Does the money go to the Christmas fund?

Mr. R. Smith: No. It costs money to put that product out into the distribution system to stock it, to change the price lists, to put up the promotional displays. That's what it goes for.

Mr. Duce: Essentially, if I am a small supplier or a small manufacturer, I am faced with a choice if I want to get my product on the shelf. If I were General Foods, might say: "All right, this new type of cereal is worth a \$1-million promotion. I will put it on kid's TV and every kid in Canada is going to eat it." That's going to cost me \$1 million.

Or I can go to the chains and agree to specific coverage in every store across Canada and I might get it for \$250,000.

What is my opportunity cost? Are my sale from paying \$250,000 for a listing and promotional allowance in the store better for me than they are to pay \$1 million to run a TV campaign? It's that kind of choice.

Mr. Hennessy: You have a better chance to sell it if it's in the store.

Mr. Chairman: Thank you very much. Is it the wish of the committee that we adjourn?

Mr. Bawtree, Mr. Smith and Mr. Duce, on behalf of the members of the committee, would like to sincerely thank you for doing such an excellent job of fielding the questions for the members of the committee and taking the time to fly all the way out from the west coast.

Mr. Bawtree: Thank you very much, Mr. Chairman. I hope to be in the House by 10 o'clock tomorrow.

The committee adjourned at 10:30 p.m.

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Witnesses:

Lawtree, L., MLA; Chairman of the British Columbia Select Committee on Agriculture
 Price, N. S., Director of Research, DMR Applied Management
 Smith, R., Robin Smith Consultants Limited; Co-ordinator, Phase 2



Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Ministry of Agriculture and Food

Annual Report, 1976-77

Second Session, 31st Parliament

Wednesday, June 21, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, JUNE 21, 1978

The committee met at 10:12 a.m.

MINISTRY OF AGRICULTURE AND FOOD ANNUAL REPORT, 1976-77

(continued)

Mr. Chairman: Members of the committee still have before us the Ministry of Agriculture and Food estimates, which we haven't even started on. I think the only item we approved was vote 1804, item 2, marketing. I was wondering whether we should try to clean up the estimates of the Ministry of Agriculture and Food, which we originally started out to do. Then we're sidetracked by the hearings on the price-fixing.

Hon. W. Newman: Mr. Chairman, may I just make a quick suggestion so we can get on with what we want to do this morning? I believe there was all-party agreement that we would use half the time of the inquiry towards the estimates. I think it is fair to say that it was also agreed by the steering committee that we would hear the BC people last night, as we did, and that we would have our counsel report this morning and discuss the report this morning.

What I'm saying is that, counting half the time spent on the inquiry plus the time we spent on estimates, we have run over the 20 hours set aside for these estimates. I suggest that we go ahead as planned—we have agreed to clear the counsel and go on this morning—but I also think the estimates should be cleared up now so that we know they have been done.

Mr. S. Smith: Mr. Chairman, it's my view that passing the estimates is a serious business, not something to be sort of cleared up. The minister made the suggestion that the BC people come here—we all agreed to that; it was an acceptable suggestion—but my understanding was that we were here to prepare our report, listen to the counsel and decide on what, if anything, we're going to recommend. At that point, if we get that out of the way, we can then deal with estimates. If we need more time for the estimates of the Ministry of Agriculture and Food, I'm sure the House leaders can get together and arrange for us to have more time for that.

Hon. W. Newman: Mr. Chairman, that is not the all-party agreement we reached in this committee. I think it's very important.

Mr. Hennessy: Don't change the rules when you come late.

Mr. S. Smith: Don't talk nonsense.

Mr. MacDonald: Mr. Chairman, I was party to an all-party agreement in the steering committee to the effect that—

Mr. Deans: Mickey, relax. It's early.

Mr. Chairman: Let's have a little order here. Mr. MacDonald has the floor.

Mr. MacDonald: Mickey, you accuse everybody of politicking and, God, you never stop politicking.

Mr. Hennessy: I learned it from you people.

Mr. Chairman: Order.

Mr. MacDonald: You can't teach an old dog new tricks.

I was party to an all-party agreement in the steering committee—we had a Liberal member there—to the effect that we had already run out of time if we wanted to hear the BC people and to have a final session to consider the committee's report. Therefore, in honouring that all-party agreement, I would move that the estimates be approved by this committee and reported to the House.

Mr. Chairman: Any further discussion on Mr. MacDonald's motion?

Mr. Nixon: Mr. Chairman, I don't think there should be any particular problem here. We have been working for many sessions on the review of the minister's report having to do with marketing, and we hope this will be the last session of this group dealing with it. I don't know if the minister feels we're going to try to pull something funny on him and insist on a thorough review of the estimates as well. I can assure him that's not in anybody's mind at all.

Is he feeling he must insist on the approval of the estimates before we go forward with the report so there is no problem with that? If he's worried about that, I can assure him from our point of view, as far as I know, there is no problem. The time has run out and the motion for the approval of the estimates would surely be quite in order for this

committee once we finish this section of the work or at our meeting scheduled for tomorrow.

[10:15]

Mr. MacDonald has a motion before us. I suppose it's going to be put. Frankly, I really resent the attitude that somehow we're trying to put something over on you. What are you pushing this into the middle of the thing for? Why can't we carry the estimates when we complete the work?

Hon. W. Newman: Do you have a guilty conscience? It was an all-party agreement.

Mr. Nixon: Certainly, to carry the estimates before we've made our report. What's the difference?

Mr. S. Smith: There was no agreement to carry the estimates before the report. They will be carried some time today.

Mr. Nixon: Nobody is going to rescind the estimates. The money is approved.

Mr. Chairman: Let's have a little order here please.

Mr. MacDonald: I think I have a solution to this. If Mr. Nixon is correct that there is no opposition to passing the estimates, but he is objecting to the timing of it, if necessary I will withdraw my motion now and I will put it as quickly as we have concluded the inquiry.

Mr. S. Smith: Agreed.

Mr. Nixon: Of course; that's exactly what we want.

Mr. Chairman: Will we conclude the inquiry this morning? Is that right?

Mr. S. Smith: Yes.

Mr. Chairman: What's the difference whether we do it now or later?

Mr. MacDonald: I agree, but the Liberals see some difference in it. I will put the motion as quickly as we conclude the inquiry.

Mr. Lane: It just seems to me that, as like all other committees we're going to run out of time before the inquiry is completed and we're not going to have passed the estimates. I think the minister is right on and Mr. MacDonald's motion is right on. I think we should deal with it now because we know the clock will run out before we're through.

Mr. S. Smith: They pass automatically anyway.

Mr. Lane: If you talk as you always do, the time will be spent before we get around to passing the estimates.

Mr. S. Smith: They pass automatically if we run out of time. Do you not understand that?

Mr. Lane: I understand a hell of a lot more than you give me credit for.

Mr. MacDonald: I withdraw my motion and I shall make it as quickly as we conclude this inquiry and before this committee adjourns today.

Mr. Lane: Before 12:30?

Mr. MacDonald: Not necessarily at 12:30.

Mr. Chairman: What is the wish of the committee? Do you withdraw your motion then, Mr. MacDonald?

Mr. MacDonald: I am withdrawing my motion. I shall put it as quickly as this inquiry report is concluded and before we adjourn today.

Mr. Chairman: I think that's acceptable all around. Let's get on with it.

Hon. W. Newman: Mr. Chairman, if that's acceptable all around, that's fine, but that wasn't the way Mr. Smith started out this morning.

Mr. S. Smith: Nonsense. The minister is out to lunch.

Hon. W. Newman: You've been out to dinner for a long time.

Mr. Chairman: Let's have a little order here. Mr. Poole, do you have a report to present to the committee?

Mr. Poole: Gentlemen, if it meets with your approval, I propose to read my report and then afterwards to answer questions, if there are any.

Since May 24, 1978, I have attended all your sessions. I have listened to some 32 hours of evidence. I have reviewed Hansard, commencing with the report of May 1, and also Instant Hansard to date. I have studied each of the written submissions and exhibits. During the times when the committee was not in session, I have spent all my time in Toronto and elsewhere in the province in conversation with legislators, producers, processors and retailers. And now I report as follows:

Briefly stated, at issue is the current practice of discounts in the food chain and their effect, if any, on both true and fair competition and on consumer prices. In excess of a dozen witnesses have given evidence under oath from which, in my judgement, the following has emerged:

1. Processers and producers and consumer groups are becoming concerned about the future of Ontario's food industry because of discount levels at the retail sector.

2. There is a feeling that all the facts are not available because of the reluctance of witnesses to come forward to give evidence in public due to fears of economic reprisals.

surprisingly enough, one might find corroboration of this fear in the words of Mr. Jackson, the vice-president of Dominion Stores, when he said: "I think it's quite a normal feeling for a supplier to feel that way. I don't think you go around trying to sell your merchandise by throwing mud at someone."

3. Manufacturers and processors are being charged by retail chains by way of discounts or "increased volume purchases, building of store displays, special signage, advertising the product, special distribution of product to our stores and many other similar services." I'm quoting from Mr. David Nichol in the instant Hansard on June 1.

4. Co-operative advertising schemes are now common practice within the food chain with no acknowledgement being given to those suppliers who furnish all or part of the cost.

5. Discounts do not seem to be related to volume selling, but perhaps are related to concentration in the hands of the few.

6. Funds received by way of rebates and discounts remain in the hands of the chains and might not result in correspondingly lower consumer prices.

7. The arranging of discounts is an unequal battle between strong chains and weaker processors which may have the effect of gouging.

8. The concentration of power in the hands of the five chains spells the death knell of the independent grocer to whom the chain discounts are not available.

9. The power in the hands of the chains will in turn reduce the competition among processors if the smallest processor is unable to absorb the discount.

10. The end result may result in total vertical integration as in the case of Safeway Stores in Alberta.

11. No evidence of illegality has been adduced, certainly not on the part of the chain stores.

From these 11 points, emerge two streams of thought:

1. The concern of some producers, processors and consumer groups, including the Ontario Federation of Agriculture, that discounting practices or rebates inherent within the food chain are unethical, dangerous, and harmful to the industry; and,

2. The attitude of the chain stores that if actual illegality can be established, these practices are normal business procedures and should be tolerated and not interfered with by the government. In fact the Retail Council of Canada goes so far as to say: "Our view is that unless the committee concludes that:

1. There is evidence of illegal or dishonest practices; 2. There are consistent practices of purchases without proper negotiation, deducting discounts from suppliers; 3. There has been widespread unfair treatment of suppliers. Then, if these three conditions do not exist, an inquiry should not be ordered."

However, this seems merely to beg the question, for how can anyone answer these three questions unless some inquiry reveals the answers? It is difficult for me to refrain from the conclusion—and I say this with apologies to you, Mr. McKichan—that asking the Retail Council of Canada to monitor the retail stores is like using a goat to guard a field of cabbages.

In examining the evidence, one might be driven to the conclusion that the sworn testimony of the chain stores is something less than frank. In examining Instant Hansard of May 30, Mr. S. Smith asks the question of Mr. Bolton, and I quote: "Do you deny under oath that in certain sales of milk your earned cost reduction might be 21 per cent, 19 per cent, 26 per cent, or in that ball park?"

"Mr. Bolton: Again I suggest that the reference be made to our supplier.

"Mr. S. Smith: Have you received cheques month by month, let's say two years ago, from a dairy paying a discount to you for milk that you sold, milk you bought from the dairy? Have you received cheques made out to Dominion Stores which purported to represent a discount of 19 per cent? Has that ever happened?"

"Mr. Bolton: We have no recollection of individual receipts. I don't and I am sure Mr. Jackson, my vice-president, does not.

"Mr. S. Smith: Do you deny under oath that in certain sales of milk your earned cost reduction might be 21 per cent or 19 per cent or 26 per cent?"

"Mr. Bolton: Again, I suggest that the reference be made to our supplier."

Yet, I have in my possession today three cancelled cheques lent to me by a supplier and cashed by Dominion Stores as follows: July 1976, for an amount in excess of \$3,500; August 1976, for an amount in excess of \$4,500; September 1976, for an amount in excess of \$4,300; and a further cancelled cheque dated May 1976 made payable to and cashed by Loblaw's in the amount of over \$800.

It seems to me that if the failure of Mr. Bolton to recall the receipt of some \$12,000 in discounts in the summer of 1976 from one supplier is accepted, it can only be because the practice is so common that there is nothing unusual about it for him, and the

\$12,000 is so small an amount compared to the total that it escapes his memory.

Whether intentionally or not, the impression created by some of the chain stores seems to be that the discounts are willingly offered by the suppliers and not because of any pressure brought to bear by the chains.

For example, see Instant Hansard of May 30, where Mr. Bolton says, "By earned cost reductions, we mean cost reductions granted by our suppliers." Again on page 17, he says, "We do get offers from our suppliers." On page 25, Mr. Jackson says, "We talked to our suppliers and yes, they agreed they would go along with the two per cent promotional allowance with us."

Mr. Nichol in Instant Hansard on June 1 says, "In 1977 Loblaw's was approached by several produce packers and shippers who offered Loblaw's a sliding scale rebate to encourage volume purchases." But as opposed to that impression, see Instant Hansard of May 31 in which Mr. Hudson says, "We have been asked by virtually all the chains from time to time over the years for something that was unreasonable, and you either have to accept it or not accept it, based on what you can live with with your total industry."

Mr. Smith asked him, "Has anyone ever threatened that if you don't accept something they offered, that your product would be delisted?" Mr. Hudson replied, "They don't delist your product; they just stop buying from you."

The Grocery Products Manufacturers of Canada, representing some 92 food processing concerns in Canada, state: "Our members' chief concern arises from the increasing pressure being put on manufacturers to purchase a wide range of promotional services required by some retailers."

The question accordingly arises not whether these discount practices named by whatever names are legal or illegal, but the question in my mind is whether they are desirable business practices and how they affect the consumer. Nor, in my opinion, is it any longer of vital importance for this committee to hear witnesses to testify to their existence. The chain stores readily admit to their existence and indeed insist on the necessity for them.

The decision whether such practices are desirable cannot be made by this committee due to lack of time, but if another forum is to decide this question, it will then become essential for that body to hear as many witnesses as possible. Hence it seems to me that the problem of securing witnesses by way of counsel or otherwise is not now so vital and the work of this committee need not feel hampered by their lack. This problem will

not go away. We have found out that it was with us in 1972 and disappeared, only to reappear in 1978 to disappear again.

[10:30]

These problems in my judgement cannot be solved by this committee nor in my opinion is a royal commission the most desirable method at this time. The evidence seems to disclose that the kickbacks demanded by the chain stores must be absorbed by the processors and food manufacturers. The fact that these kickbacks are not passed on to the producer-farmer, is due solely, in my judgement, to the intelligent establishment by this government of a series of marketing boards. These boards have had the effect of shielding the farmer from what appears to be the rapaciousness of the chains. Credit for this must be given to the government.

According to the Grocery Products Manufacturers' brief, the moneys received by the chains in the form of discounts or kickbacks are described as head office revenue, as distinct from income from the sale of groceries, which is identified as store income. It would be interesting to determine whether the profit of the chains includes both items or only store income.

If this policy of the chains of demanded kickbacks is allowed to continue, it is my opinion that in Ontario it will have the following effects:

1. Many processors will be forced out of business.
2. Too much power will lie in the hands of the chains, which will reduce competition at the processor level.
3. This, in turn, will eventually lead to a system of vertical integration with the chains controlling the processing of food as well as the retailing with the resultant effect of the resistance of the consumer public being the only brake on grocery prices.
4. Ontario could be following the unfortunate example of Alberta, which has now only one effective chain with all the attendant efficiencies and all the attendant evils of vertical integration.

I think I should say—and I think you would want me to say—why I am opposed to a royal commission, and I do so, on page 13 in the following words:

1. It would take too long, perhaps two to four years; and the action I propose will have a quicker reaction.
2. It would be too expensive—\$2 million to \$4 million.
3. I am not convinced that witnesses would be any more willing to come before a royal commission than this select committee and for the same reasons.

4. A royal commission lacks the flexibility and informality that, in my opinion, these matters seem to require.

5. If there is nothing to hide, it is difficult to understand why the chain stores and the Retail Council of Canada oppose any form of inquiry. If their fear of an inquiry and/or government intervention caused them to abandon the usual practices in both 1972 and in 1978, I think that the same threat will help to correct any abuses more quickly than the lengthy process of a royal commission.

See, for example, Instant Hansard, May 30, in which Mr. Nixon asks Mr. Jackson, and I quote: "The last time it happened in 1972, you backed off immediately. There was nothing illegal about it, nothing wrong with it, but you backed off."

"Mr. Jackson: We backed off in 1972 because the minister stepped in and corrected the situation."

The question arises, if there was nothing wrong, what was there to correct? And if it was wrong in 1972, what made it right in 1978?

As a result, my recommendations are two-fold as follows: The first step is on the bottom of page 14:

1. The Milk Commission of Ontario should monitor the wholesale and retail prices of fluid milk in selected markets in Ontario on a regular basis and not less than twice a year to determine any significant changes in prices and margins, and the existence or absence of effective competition in the market place.

2. The Milk Commission of Ontario should monitor on a continuing basis, the types and amounts of discounts given by fluid milk processors and distributors to their various customers, and assess the effect of this practice in the structure and competitiveness of the industry.

3. The Ontario Food Council should monitor the wholesale and retail prices of other foods in Ontario on a regular basis to determine any significant changes in prices and margins and the existence or absence of any effective competition in the market place.

4. The Ontario Food Council should monitor on a continuing basis the types and amounts of discounts given by processors to retailers and assess the effect of this practice in the structure and competitiveness of the industry.

5. The milk commission and the food council should discuss any evidence of excessive margins, discount or discriminatory trade practices considered to be detrimental to the public interest with the offending parties and publicize any such evidence.

My proposed second step is as follows: That an inquiry be conducted under the Public Inquiries Act of Ontario with both public and in camera hearings; that such an inquiry be conducted by the Ontario Food Council to be constituted or reconstituted as to its members as is appropriate in these circumstances—I say, by way of parenthesis, that it would be possible in my opinion to establish a trade practices committee with certain members of the food council and perhaps others to conduct such an inquiry—that appropriate legal and accounting personnel be retained to conduct a thorough investigation with power to summon witnesses and to examine books of accounts; and that such an inquiry investigate the British Columbia recent studies and those which yet have to appear into discount practices, the Alberta situation with regard to vertical integration and the loss of competition, and also the American experience with reference to state laws concerning retail pricing.

Finally, my views on discount practices can be summed up in a phrase: If the chains have nothing to hide, they have nothing to fear from an inquiry. If they have something to hide, it should be exposed. All of which is respectfully submitted.

Mr. Chairman: Thank you very much, Mr. Poole. The minister.

Hon. W. Newman: I would like to ask a few questions. Maybe Mr. Poole could explain his report and then I would like to come back at a later date on this matter. On the first page, item two, he says: "There is a feeling that all the facts are not available because of the reluctance of witnesses to come forward to give evidence in public due to fears of economic reprisals." The BC delegation that was here last night said they found the same problem to start with. Then after they got into it and found out it was going to be kept confidential, they had no problem with people coming forward.

I would like to ask you, Mr. Poole—and I am not asking you to break any confidences—on your travels around and concerning the information that you were given by whomever or whatever you were given, how many people were involved and how many did you see? Keeping in mind that there was a motion passed here that it would be kept confidential, I am just curious as to how many people you actually saw or how many situations were brought to your attention. That might be a better way of putting it.

Mr. Poole: I found that there was a general reluctance by anybody to come to see me or to appear before this committee, with

the result, either rightly or wrongly, I travelled throughout Ontario, both east and west, to see these people in their own kitchens, in their own barns and on their own farms. There were six who spoke to me and told me about their problems and of their fear. It took some time because they were reluctant to complain. I have made notes of the six people I saw in all branches of the industry, producers and processors. I have not used any names, but if you would like I can read the six case histories.

Hon. W. Newman: On page three, I am just not quite sure I am quite clear on item eight. It says: "The concentration of power in the hands of the five chains spells the death knell of the independent grocer to whom the chain discounts are not available." I just want to clarify this. I believe evidence came before us here that in the last three years the independents have grown in the province of Ontario. Their percentage of the market has grown and the percentage of the four largest chains has dropped. I don't quite understand that; maybe you would explain it to me.

Let me give you an example: Knob Hill Farms has grown. I believe they have about five stores, I don't know exactly. But the figures show that many independents have grown in the last three years. You are saying it will sound their death knell; I don't quite understand that.

Mr. Poole: I don't understand how they've grown. I think there might be some misconception. I don't consider those independent groceries that are connected to Loeb and Oshawa Group are truly independent. What worries me, from my investigation, is if the chain stores set a discount which they consider is a volume rebate—and I doubt it—then that sets the wholesale price. The small corner grocery simply can't get the benefit of that wholesale price. In fact, there are cases where the small corner grocery is paying more for his produce than the chain stores are selling it at to the consuming public. If that continues, there will be no more small corner grocery stores, in my judgement.

Hon. W. Newman: I want to have it clear in my own mind. I don't want to get personal, but I look at my little corner store and I talk to the lady who runs it. She tells me she buys from, I think, National Grocers. I don't know who owns National Grocers, but she gets the advantage of their discounts. I haven't compared her prices with others because it's a case of a convenience store. But you say that small stores cannot stay in the marketplace? She is not affiliated with IGA

or Loeb or anybody, but she buys from National Grocers; and I assume she gets the discounts they have on volume buying.

Mr. Poole: That may be true; I would think the opposite. I would think that growth is specious. I think that what you have to do with the growth is to figure out how many independent stores there were here 25 years ago and how many there are today. I think the figures on growth will be more revealing than the figures that were submitted to us. However, I do agree with you that certain figures submitted to this committee seem to indicate that independents were growing; I doubt that.

Mr. Pope: I'd like to ask a supplementary, and that is how do you then define "independent" in clause eight? Do you define it in terms of the conditions or non-conditions contained in the supply contract?

Mr. Poole: I would define it this way: If you and I wanted to start a grocery store on the corner and we didn't have any connection with any chains and had to buy in the open market.

Mr. Pope: Buy in what way? Do you mean they don't have a supply contract? Just how do you define the buying mechanism?

Mr. Poole: You can tell in the question of milk. They don't get the benefits of the low prices that the chains do, with the exception of Becker's and Mac's Milk which are vertically integrated.

Mr. Pope: So if they have no supply arrangement with a wholesaler, then you classify them as independent.

Mr. Poole: To a certain extent, I suppose, without quibbling, you have to define what your supply arrangement is. I suppose whenever a wholesaler comes along, that becomes a supply arrangement.

Let me give you an example: A food processing plant that was supplying Dominion Stores in Ontario was giving them a rebate of 19 per cent; Dominion Stores came along and said, "the rebate will now be 26 per cent." The processor said, "I can't afford to absorb that; I'll go broke." Within three weeks Dominion cut him off completely and he hasn't sold any milk to them since.

Mr. Eaton: Was he getting the milk from somebody else at that price?

Mr. Poole: He was getting it from the milk board. It was a processing plant.

Mr. Eaton: Were Dominion Stores getting it from another processor at that discount?

Mr. Poole: I have no idea.

Mr. MacDonald: Mr. Chairman, on a point of order: I recognize the delicacy of the problem our counsel has had, that we gave them a majority vote in this committee—to interview these people and to retain confidentiality. But I personally would find it very useful if he could give us a report on the six cases which I suppose are indicative of the kind of problem raised at the committee, and give us the evidence from at least those cases totally protecting the confidentiality of the individuals and where they live.

Mr. Hennessy: Good idea.

Mr. Poole: Yes, I am prepared to do that.

Mr. Chairman: Is it the wish of the committee?

Mr. Pope: I was on a point concerning the definition of the independent grocer and would like to pursue it before we get into individual cases, because I don't know what it means.

Mr. Swart: I understood him to say anyone who starts in business is independent—an organization like IGA. That's clear to me.

Mr. Pope: Well, it is not clear to me. Maybe you can explain it to me in more detail, since you seem to know it.

Mr. Swart: If Mr. Poole can't, I will.

Mr. S. Smith: He is free to buy from whatever supplier is available to sell and free to buy at the best price he can get.

Mr. Pope: Is that the definition?

Mr. Poole: I think so.

Hon. W. Newman: I had not seen this report, until this morning. On page seven you are talking about Mr. Bolton, president of Dominion Stores, and his failure to recall to receipt of some \$12,000 in discounts in the summer of 1976: "It can only be because the practice is so common that there is nothing unusual about it for him." Well, I think that was brought out in evidence; that is true enough. "... and the \$12,000 is so small an amount compared to the total that it escapes memory." I am not trying to defend any claims or anybody else, but what are the total sales of Dominion Stores, do we know? Does anybody know the total sales?

Mr. Menard: It is all in there—\$2.2 billion.

Hon. W. Newman: That is what I wanted—a point of clarification.

Mr. Deans: Could the minister tell us exactly what the significance of his comment is?

Hon. W. Newman: I would be glad to. I have not seen this report until this morning myself and I just want some points of clarification.

Mr. Deans: I just wondered if we were supposed to understand something from the question, that is all.

Hon. W. Newman: Welcome aboard, for a change.

On page 11 you use the word "kickback" and in several areas you use the word "kickback"—fair enough. But I go to the BC report last night: "The word 'kickback' is often used by the uninformed to describe the ongoing illegal system of rebates, discounts and allowances."

Can I ask you what you mean by kickbacks?

Mr. Poole: I use the word in the sense that it was used in this committee by various witnesses—namely, an amount of money demanded by the chain store from the processor and which is to be sent perhaps to Intervac, or the head office, and perhaps does not appear.

Sometimes they call them volume discounts, sometimes they call them earned; well, I don't know what the jargon is because everybody seems to disguise it. But the plain English is they are discounts and I don't think they are connected.

Mr. Hennessy: Are you talking about soccer or rebates?

Hon. W. Newman: Well, I just wanted clarification, that's all.

Mr. Poole: You will notice, Mr. Minister, I used the word "kickbacks" in inverted commas because I am quoting from the witnesses.

Mr. Nixon: The chain stores object to the use of that word too, I think.

Mr. Poole: I think they do, Mr. Nixon.

Hon. W. Newman: I just wanted a clarification about "kickbacks" because "kickback" could have several interpretations.

You mentioned on page 16; not on your report, but you said something about a trade practices committee. I didn't quite follow you. It was not in your report. In item two you were talking about a trade practices committee.

Mr. Poole: There seems to be a feeling in the committee that perhaps some kind of thing should be done from time to time. There has been talk—I have read Hansard—and somebody suggested a royal commission. Somebody suggested, perhaps not in Hansard, that this committee should perhaps continue its investigation.

It is a matter of opinion, Mr. Minister, I don't really think this is the proper forum. By way of suggestion and I don't think it is particularly profound on my part, but I leave the thought with you for what it is worth:

If the food council to conduct an inquiry is not a satisfactory medium for this committee or for the Legislature, then it seems to me a compromise might be a small committee set up within the Ministry of Agriculture and Food, your own portfolio; and, for want of a better name, I would call it a trade practices committee or commission, with no more than three people to make it flexible so that they could hire the appropriate staff and travel around the province.

I think it would be presumptuous of me to suggest who should be on it but I am not unaware of the fact that Mrs. Barbara Shand, who speaks for the Consumers' Association of Ontario, is also a member of the food council. Three people like that, it seems to me, would have the flexibility and informality to get to the bottom of these practices and find out if there is anything wrong.

Hon. W. Newman: One last clarification. I am just reminded now that in the BC report which we dealt with last night, the word "kickback" is defined as an illegal payment to individuals and chains. Are you implying that by using the word "kickback" here that these are illegal payments to individuals and chains?

Mr. Poole: No, Mr. Minister, I think the evidence before this committee is that there has been no illegality of any kind, certainly not in connection with the chain stores.

One would be surprised—if I might say in parenthesis—if there was any illegality with the battery of legal talent they can afford to hire. They can keep them out of trouble.

The burden of my song is simply that there is no illegality, but are these practices desirable? Or, to use the language of the street, is the consumer being ripped off?

Hon. W. Newman: It was covered on page 17 of the BC report to some extent last night.

Mr. Nixon: Mr. Chairman, I have a point of clarification: I don't want to interrupt the minister's train of thought.

Mr. MacDonald: What about my point of order—namely, for a report on the six cases so that we have a clearer idea as to what general evidence it provides to back up or deny what we received in open testimony?

Mr. S. Smith: I would like to hear that too, Don, but I don't think it is a point of order, really.

Mr. MacDonald: I asked it earlier.

Mr. Nixon: Whether he would do it or not; it was agreed he would do it.

Mr. MacDonald: I raised it as a point of order in the midst of the minister's questioning. He said he had a few more questions

for clarification, so I am back to it now. Can it a point of order or what you will. I think it is important the committee should not hear what in effect is the remaining testimony which we have asked our counsel to get.

Mr. Nixon: I have a point of clarification that will maybe just take a moment to clear up, if you don't mind. It has to do with the submission. I don't understand the difference between a royal commission and a public inquiry. As I understand it, if the government decided to carry on further with a inquiry of some type similar to the one you recommend, under the Public Inquiries Act then as I understand it, an order in council is prepared, signed by Her Honour, with certain terms of reference, and the persons appointed under the Public Inquiries Act become, in that sense, a royal commission. That is my understanding of it.

Mr. Poole: Not necessarily.

Mr. Nixon: I don't know what the difference is. A lot of people think of a royal commission as a judge with a panoply of counsel, but I just don't understand.

Mr. MacDonald: Can't it be a royal commission without a judge?

Mr. Nixon: It doesn't have to be, I know.

Mr. Poole: There are different forms. For example, I happen to be counsel for the commission on freedom of information and individual privacy. That is not a royal commission. It's just a commission.

Mr. Nixon: Who commissioned it?

Mr. Poole: Under order in council.

Mr. Nixon: The order in council is signed by Her Honour. There's nothing that makes it royal except the Lieutenant Governor's signature.

Mr. Poole: My feeling, rightly or wrongly, is that a royal commission usually connotes in the minds of the people a judge sitting as you suggest. That's the image that people have. I think that's too formal and too stiff for what is required here. I think we should have something that's less formal.

Mr. Nixon: I was just raising the point, because in my opinion—I don't know whether this will make any difference to any motion that might finally be put—there is no essential difference except perhaps in the minds of observers. In my opinion, an investigation under the Public Inquiries Act, which I think is an extremely useful recommendation indeed, is a royal commission. Therefore, the objections expressed on 13 could and perhaps should be expressed in conjunction with any investigation. It should have aspects of in-

ormality. It need not be a judge. As a matter of fact, it might very well not be a judge. I suppose it could be associated with the food council, although—

Mr. Poole: Let me explain, if I might. Under section 2(6)(ii) of the food council act, these words appear: "For the purpose of carrying out an investigation under subsection 1, the chairman or the vice-chairman has all the powers that may be conferred upon a commissioner under the Public Inquiries Act." That was the thing that I was getting at.

Mr. Chairman: Are the committee members in favour of Mr. MacDonald's suggestion that we get the information on these six?

Mr. Eaton: Before we get into that could we ask a few questions on the report, as the minister has done? There may be others who have the odd question too.

Mr. Chairman: I think all the members of the committee will have that opportunity.

Mr. S. Smith: There's a list of speakers the chairman has—

Mr. Chairman: That's right.

Mr. S. Smith: Personally, I'd be happy to hear the six case histories almost as part of the counsel's report, in a sense.

Mr. MacDonald: It's even more than that. I think the counsel's report is based partly on the evidence that he's heard here and partly on the evidence which he himself has obtained privately. My reason for asking him to give the details of it is that it's the backup for his report.

Mr. Chairman: Is that agreeable to the members of the committee?

Mr. S. Smith: I'd like to hear the case stories.

Mr. Chairman: Do you want them now?

Mr. S. Smith: Isn't that what we just said?

Mr. Chairman: That's fine. I was of the impression that these case histories were going to be given to the members of the committee in camera.

Mr. MacDonald: No.

Mr. Chairman: You want to hear them now? Very well.

Mr. MacDonald: These case histories need not be given in camera. The substance of it is going to be given with full protection of the person from whom the information was obtained.

Mr. Poole: Mr. MacDonald's statement is correct. My report is based in part on the information that I gathered, as it were, in the field.

I have already in my report given you the case of the dairy processor. I spoke to a person who supplied primary produce and he had to supply 10 per cent of the produce free. In other words, he told me that when he delivered 500 crates of produce to a chain store, they said to him, "You deliver 550 cases, and bill us for 500."

I said to him, "How long did this go on?" He said, "For a year, until we realized that this was illegal and contrary to the marketing board. We were afraid for our licence and we quit and have not supplied that chain since."

I said to him, "If you delivered 550 crates, the person who received those crates would know he had 50 more, so that there would be nobody in the receiving chain who would be deceived about this." He said, "Yes, I guess you're right." I said, "Can you give me any proof of this?" He said, "No, because my bills all show 500 crates, but I delivered 550. But you can talk to my staff here because they hauled it by truck." I said, "What do you do now?" He said, "Ontario won't buy anything from me. I sell to Montreal and other markets." That's case number two.

[11:00]

Case number three: a processor had to pay 40 cents a case allowance rebate. He set his price for his units—I prefer to call it that—at \$10. He was told by the chain store to increase the price and bill them for \$13 and to remit to the head office the difference between \$10 and \$13. I said to him, "Then your invoices don't reflect the true price. Why did you do it?" He said, "I had to sell my produce."

I examined his invoices. His invoices showed the unit price at \$13 and I saw the cancelled cheques—the rebates of the same date based on \$3. In addition, he had to pay 1.5 per cent quick-payment money. I don't know why, if a person owes money legally, he should have any discount to pay quickly. The money is owing and due the moment the goods are received. It seems to me it's spurious to say 1.5 per cent for quick payment. The money is owing. There's no such thing as quick or slow payment. The money is owing at the time he receives the goods.

In addition to that, pressure was being put on him to do co-operative advertising which he says, "We can no longer afford." I said, "What are you going to do?" He said, "I'm going to tackle the Detroit and the Buffalo market." His documentation was seen by me. I know the chain stores involved and I've seen the documents.

Next case. Two primary producers, if I can call them that, always gave chain stores a five per cent discount. I said, "Why?" They said, "Because it's the only way we can sell our product." I said, "Did you offer it to them? Did you have any discussion with them?" "No," they said. "We were told this is what it would be." I said, "Has there been any change in that?" They produced documentation to me saying that the chain stores said it would now be 15 cent. I said, "What's the effect of that?" He said, "We can't absorb it." I said, "What are you going to do?" He said, "We're not going to grow as much this year."

The final case of a primary producer: He says, "It's very peculiar. I can't figure it out, because the discounts that they take from the cheques after I supply range from 3.5 per cent to six per cent. My wife and I—my wife's the bookkeeper—can never figure out what they're taking off, but the last one was six per cent." I said, "Have you had any negotiations with the chain about that?" "No, those are the cheques we receive."

Those were the only people that I was able to see with the time available to me. I must say in fairness those were the only situations that came to my attention. To protect my own integrity, in each case but one I took a witness with me. I asked the person that I saw in the field if he objected to having a witness so that if there was any doubt as to my integrity I had some proof to back up what I heard, and that witness heard exactly what I have recounted to this committee. That concludes all the case histories.

Mr. MacDonald: Would you repeat the first one that you mentioned in passing? I didn't get the full details of it. The one on the milk.

Mr. Nixon: Is that the one referred to with the cheque that you have—

Mr. Poole: Yes, it's in my report.

Mr. MacDonald: Oh, it's in your report, I'm sorry. Fine.

Mr. Poole: That's why I didn't go over it again. It appears on page seven.

Hon. W. Newman: On a point of clarification, could I ask Mr. Poole: You saw these six people I assume? Were there other circumstances given to you, other people?

Mr. Poole: Mr. Minister, that comprises the total number of complaints in the whole of Ontario. No other person came forward. No other names were given to me directly or indirectly and that's the total sum.

Mr. MacDonald: Mr. Minister, did you receive any others and pass them on?

Hon. W. Newman: I received one which I passed on, on a confidential basis, to the food council to deal with and then, of course we got into this inquiry. I'm not sure whether I gave the original or whether I gave the photocopy to Mr. Poole—of the one that received.

Mr. Poole: I confirm that. You gave me the original, and that doesn't appear in my case histories.

Mr. Riddell: Why?

Mr. Poole: It was covered by another one—the same process—5 per cent.

Hon. W. Newman: I just have another quick question. You saw all these witnesses and I appreciate the confidentiality and want to keep it that way, keeping in mind the chairman of the apple commission was before us and subsequently was before the Ontario Farm Products Marketing Board. I'm not trying to involve anybody but did you find anything illegal in these case histories? How do I say this without implicating anybody? If apples were involved, there was some doubt about the five per cent discount on apples.

Mr. MacDonald: Has that been resolved?

Hon. W. Newman: They are working on it. They've had a meeting with the commission and they will have further meetings with them on it. Excluding apples, say, where there might be some situation there, the practice has been carried on for many years and they've discontinued carrying it on. So forgetting apples, did you find in any of these cases anything that was illegal?

Mr. Poole: No, there is no evidence of any illegality at all.

Mr. S. Smith: Mr. Chairman, I'd like to ask one or two questions of Mr. Poole. In your recommendations, Mr. Poole, you draw a distinction between a royal commission and a public inquiry, a distinction which is probably more one of how one styles and titles the thing rather than the real form and, to some extent, it may have an impact on the public mind as to how it's styled and titled. I think Mr. Nixon's point is correct that there is only a public inquiry under the Public Inquiries Act and it's signed by the Lieutenant Governor and that's it. Whether we call it a royal commission or something else is probably only a matter of style. But apart from this distinction you draw, you recommend a first step and a second step. Do I take it that it's your intention that the two steps should proceed at the same time?

Mr. Poole: Yes. I have a sneaking suspicion that when there's any pressure on the chain stores, as in the case of the two per cent,

they react very quickly. It's my opinion that if the food council or the Milk Commission of Ontario start to monitor the practices, perhaps some of the situations would be cleared up immediately. I want them to do that. At least that would be my suggestion. Then we could have the investigation go on concurrently. The basis for my thinking, Mr. Smith, is that when someone spoke to the chain store about the two per cent recently, they stopped.

Mr. S. Smith: Yes.

Mr. Poole: There's one thing they can't stand and that's the exposure to sunlight.

Mr. S. Smith: That's the problem with milk, isn't it?

You were counsel, sir, to the inquiry by the Milk Commission of Ontario on wholesale and retail pricing practices for fluid milk which put out a one-page report double-spaced with rather large letters, with very few principal recommendations. The major one was that the milk commission should monitor on a continuing basis the types and amounts of discounts given by fluid milk processors and distribute it to the various customers and assess the effect of this practice on the structure and competitiveness of the industry. So this isn't the first time round for you. This was never done, however. I take you still feel it should be done.

Mr. Poole: Yes, I feel it should be done. But I should draw to your attention that it's my opinion that the chains—if you're talking about their practices—would like you to concentrate on milk because I don't think the chains are making any money out of milk. The reason they're not making any money is they have to compete with Beckers. Beckers practically give away milk because they're vertically integrated but they make their money on other products. Their other products are priced much higher than chain stores but chain stores have to carry milk.

As a matter of fact, if you read on page 5 and 46 of that fluid milk inquiry you'll find these words:

"As already indicated, accounting procedures of retail firms do not segregate the costs of retailing fluid milk products from the costs of retailing other merchandise. Most major retail outlets divide their marketing activities into three departments: groceries, produce and meat. Fluid milk products are not treated separately. From the data available, and because of the accounting procedures used by the retailers, this inquiry was unable to determine the costs of retailing milk."

And yet, Mr. Nichol said in Instant Hansard of June 1, page nine: "After all rebates, milk does not pay its own way in our 134 Loblaws

stores. It does not cover the cost of distributing milk to the consumer. It takes approximately 21 per cent of every sales dollar to cover the cost of labour and other costs in running our stores.

"What does milk contribute to cover these costs? I looked up the answer today and a three-quart bag of two per cent milk contributes 8.5 per cent, including all rebates, per dollar of sale. If our cost is 21 per cent, milk is simply not a profitable item for supermarkets."

The question I asked myself—the date of the fluid milk report was February 1977—is how come they couldn't tell us what it cost them? Mr. Nichol learned very quickly what it cost because now he can give us the figures. He couldn't then, nor could any other chain.

Mr. S. Smith: That contradiction, between the milk commission report and Mr. Nichol's testimony struck us as well. But one wonders if the milk commission inquiry was not able to get at the books of Loblaws in a way sufficient to allow a cost accountant to determine what the real cost of marketing milk was to Loblaws and the real profit or lack of such involved, how any public inquiry, or any commission of any kind, is going to be able to answer some of these very fundamental questions as to the effect of the practices we're discussing. It would seem to me they would have to have access to the books and a very trained and able cost accountant to sort through some exceedingly complex and highly confidential material. I take it that's what you intend in your report. Is that correct?

Mr. Poole: Yes, and I agree with you, Mr. Smith, about the difficulties. But you will recall the words of H. G. Wells who once said, "The reason that most people are honest is because of the fear of the policeman on the corner." I think that applies to chain stores too.

Mr. S. Smith: That's all very well, but the problem is the milk commission had an inquiry and didn't get the information. Why would we believe this new commission would? That's my problem. You were the counsel for the last one. I'm asking you, as an informed person who was a part of the last inquiry, how come you couldn't get to the bottom of it?

Mr. Poole: I could only quote from pages 45 and 46, which I've already quoted, the difficulties you run into. Here are some of the other difficulties. The Grocery Products Manufacturers Association refer to two types of revenue, head office revenue and grocery store revenue. I suppose it's conceivable, but

I have no proof, that if a chain store goes into a new shopping plaza the amount of money they charge themselves as rent for a large supermarket may mean there's very little profit left in the grocery store. Who is to say whether that's desirable or not? But it may affect the price of the groceries to the consumer. It may also affect the profit that they make from the grocery stores. Yet, according to accounting principles, there's nothing wrong in that.

Whether an inquiry can determine these questions, I don't know, but I do know one thing. If they don't try, they won't find out. [11:15]

Mr. S. Smith: I appreciate that, but the last inquiry did try and didn't find out.

Mr. MacDonald: Could I just make one point here for clarification? I presume you were told by the supermarkets during the milk commission inquiry that it was virtually impossible to separate that out. Now we have in the testimony of Mr. Nichol that it is not only possible to separate it out, but he gave testimony here that it was 8.5 cents.

Mr. Chairman: Mr. MacDonald, if I can recall Mr. Nichol's remarks—and correct me if I'm wrong—he also mentioned they had a highly computerized system set up just recently and they were able to determine the prices and the profits on the milk products they sold in the store.

Mr. Deans: That may be the answer to Mr. Smith's question. Maybe they're more sophisticated now.

Mr. S. Smith: It may be that a new commission would produce good results now. It may well be the chairman is correct. I commend him for bringing this to our attention. It may well be with the new sophisticated computer technology we will with a proper inquiry get the facts, such as 8.5 cents on a three-quart bag of milk.

Perhaps he's quite right. Perhaps what's changed between 1977 and now is that we can expect real results this time because the computerized technology is available. I think the chairman is very wise to have brought that to our attention.

Mr. Poole, you mentioned that the Ontario Food Council in step one should monitor various things. I don't know what your feeling was about the food council—and certainly I don't want to reflect poorly on any individual civil servant—but the food council chairman testified here and didn't even know there were such things as discounts in the dairy industry. I can appreciate he may not have investigated it or he thought

his terms of reference were pretty restrictive et cetera, but all he had to do was read the report of the inquiry that came out in 1977 and which was sent to the minister to know there were discounts of around 20 per cent at that time in the dairy industry.

If the chairman of the food council doesn't even know that, do you really feel that's the right body to send this type of thing to?

Mr. Poole: I wasn't concerned about that. I think Mr. Williams' attitude was this: "The Milk Commission of Ontario is the proper vehicle for monitoring milk and milk prices. It's not my field. I have enough to do with my own problems." I think he was likely correct. I part company with your thinking on that point. I think he was quite right in saying: "I'm not concerned and I'm not going to comment." I think perhaps he would have been better advised if he had said, "That's not my sphere of action."

Mr. S. Smith: He said he never heard of it.

Mr. Poole: He likely wouldn't want to trespass on somebody else's ground. Whether he heard of it or not, I don't know. It's not exactly the most pleasant thing in the world to be up here answering questions and defending oneself. I don't recommend it after a hearty breakfast. I have some sympathy for Mr. Williams.

The other thing he said was he didn't receive many complaints. I'm much more sympathetic with Mr. Williams' position now than I was then because I too didn't have many complaints. I went all over Ontario and only got six. I think there are a lot more there but I don't know how you get them out.

Mr. S. Smith: We all had a lot of them anonymously, but real ones that you can follow up are hard to come by. I quite agree.

My last question has to do with your second step, the inquiry you're recommending. I feel there should be an inquiry. The question is in the form it should take. In your suggestion, you say the inquiry should be conducted in such a manner, it should be done by such people and there should be legal and accounting personnel. In number four, you say that such an inquiry should investigate the British Columbia, Alberta and American situations, but nowhere does it say anything about Ontario. I assume that was an inadvertent oversight and that you had intended to have as terms of reference something to do with Ontario. If we get to the point later of moving motions and all that, I would certainly have a suggestion to

make as to how that might be augmented by a paragraph by Ontario.

I take it that wasn't an attempt on your part to give an exhaustive terms of reference but merely to say some of the things that the committee should do.

Mr. Poole: I thought that my first paragraph, dealing with the Public Inquiries Act of Ontario, would cover the Ontario situation. I want to extend it to those other places. If such a thing is considered reasonable by the committee, terms of reference will have to be drafted. I thought it was a bit presumptuous of me at this stage to attempt to do that.

Mr. S. Smith: That's all my questions for the moment.

Mr. MacDonald: Mr. Chairman, I only want one point of clarification on the body of the report; then I would like to go to the recommendations for how we cope with this situation in a continuing inquiry.

Going back to the body of the report: Apart from the apple situation, which is an isolated and specific one and is now being looked at by the Apple Marketing Commission and the Ontario Farm Products Marketing Board to ascertain whether or not what they were doing is illegal, you say there were no illegalities.

My problem here, and I would solicit your comment, is that you have asserted that many of the merchandising practices, if not illegal are at least highly questionable. Indeed, we have had the instances of 1972 and 1978; when attention was drawn to a two per cent discount, there was an immediate willingness to withdraw it, even though it is not illegal. There was an immediate willingness to retract from using that.

You will recall that I asked Mr. Williams that if this problem of discounts bedevils the existence of the Ontario Food Council, because it keeps recurring—it is chased out but it re-emerges again—wouldn't it be wiser to make it illegal? If it is so undesirable that the government intervenes through its agency, the food council, and by statements of the minister in the House, and they immediately withdraw from it, why not make it illegal? In other words, isn't the lack of illegality simply a result of the fact that we haven't made certain things illegal through statute or regulation, even though everybody, including the supermarkets, agrees that they are questionable?

Mr. Poole: I don't know that I can answer that question. I think it's a fair, thoughtful question. I am of two minds. I am almost in the position in 1978 of feeling that we have

too many regulations, too many laws, too many boards and too much government. As a matter of fact, I don't know how governments function; if you look at their departments, they are so vast that it seems to me it's almost a superhuman job to run the country these days.

On the other hand, I would think that the recommendation of whether there be regulations to correct these abuses might better be left to the recommendations of what I call, for want of a better phrase, a trade practices committee. Mr. MacDonald suggests a competition act or something like that. Certainly it is my suspicion that the Combines Investigation Act has had some effect in the food industry in Ontario.

I don't think I want to answer your question without hedging. I think that's something that will come out of an inquiry.

Mr. MacDonald: I would agree with you, Mr. Poole, that if we are going to have an inquiry, it would be better that the inquiry take a more thorough look at the matter. My point was simply that to say there are no illegalities is to beg the issue. If there are practices which the government, the food council, the supermarkets, the Ontario Federation of Agriculture and everybody agree are not good practices, then it would seem to me to be a very logical, consistent and rational thing that to include that as an illegal act in a fair trade practices act, which can be done provincially.

Mr. Poole: I don't think you read my report, Mr. MacDonald. I don't say that it is a particularly brilliant effort on anybody's part, but I say on page 10: "The question accordingly arises not whether these discount practices, named by whatever names, are legal or illegal, but whether they are desirable business practices and how they affect the consumer." So I agree with you.

Mr. MacDonald: Let me go now, if I might, to your recommendations and what you describe as the first step. You suggest that the milk commission should monitor the wholesale and retail prices of fluid milk in selected markets in Ontario on a regular basis. I think I am correct in stating that in accordance with the present mandate of the milk commission that is beyond their jurisdiction. The milk commission has the control of milk up to the marketing board, the sale of it to the processor, but no jurisdiction beyond it. I am not objecting to this, but what it would require is that the milk commission should be given the power to monitor beyond the milk marketing board throughout the wholesaling and the retailing.

Mr. Nixon: Are you sure of that? The milk marketing board then has the remainder of those powers, does it? I thought that the milk marketing board really worked in conjunction with the milk commission. I can recall the marketing board legislation gave the marketing board undoubted authority over all aspects of the business.

Mr. MacDonald: I am open to correction.

Mr. Poole: The milk marketing board sets the price and an appeal can go to the milk commission.

Mr. Nixon: They work together that way, but they set the price, standards and quality.

Mr. MacDonald: That is not my point. My point is that they set the price, quality, standards and things of that nature up to the stage of the sale by the milk board to the processor, but they have no jurisdiction, even to monitor—I think I am correct—beyond that, through the processor to the wholesaler or retailer.

Mr. Poole: I think that is right.

Mr. Nixon: You are suggesting that it would require some legal direction or power to monitor prices?

Mr. MacDonald: I would think so. Whether we have to put it in a statute or whether we can say to the milk commission that, instead of operating as they have hitherto operated only up to the sale of the milk by the milk board to a processor, they now have at least the right to monitor prices through to the consumer, whether we need to have to put that in a statute is the question I am raising because they certainly haven't done it up until now and maybe they would conceive it that they haven't got the right to do it is put in the statute.

Mr. Nixon: I am informed on good authority that they had that power and it was taken out by an amendment of the Legislature.

Mr. MacDonald: That confirms my point that they haven't got it now. Perhaps we should restore it.

Mr. Poole: In any event, I think I would like to make the comment, which I think applies to food generally as well as milk, that the ironic thing is that if all these practices were stopped, the chain stores would be delighted because things would go back to a normal basis. There would be no discounts, everybody would know where everybody fitted in and competition would be the deciding factor in the market. The chain stores have got themselves into this situation. I think they would all like to get out of it, but

it is a question of who is going to bell the cat first.

Mr. MacDonald: Let me move on to the next. You suggest that the Ontario Food Council should monitor the wholesale and retail prices of other foods in Ontario on regular basis and so on. As I understand it, that is a power that the food council has at the present time, but doesn't exercise. Mr. Williams indicated that he had so many other things on his platter that he doesn't normally pursue that, except when complaints are brought to his attention. Even that was fudged a bit because on occasion he has taken the initiative without a formal complaint. There is no problem in that. The food council would be just exercising a power that it has. Perhaps it would be clarified that they could move without complaints.

Mr. Poole: That is the basis of my recommendation, Mr. MacDonald. You are quite right.

Mr. MacDonald: Let me go to the second step. I must say that I am rather attracted to this and have a suggestion for clarifying it. You yourself were obviously in the process of thinking it through. You added to paragraph two on your second step the idea that instead of it simply being an inquiry conducted by the Ontario Food Council to be constituted and reconstituted as to its membership as is appropriate in these circumstances, you further went on to add the idea of a trade practices committee which presumably would be independent of the food council.

[11:30]

Mr. Poole: What I had in mind was that the food council, under the chairman, would continue under step one of my proposal. It would continue to monitor and perhaps be more aggressive in the monitoring. At the same time, members of the food council who are appointed at the present, or who are about to be appointed, could form a committee of two with a chairman, but not the chairman of the food council because he has enough work now. They would conduct this inquiry under the aegis of the food council, and report directly to the Minister of Agriculture and Food through the chairman of the food council.

Mr. MacDonald: I would like to express, by a statement and a question to you, my concern over the food council having, in effect, control over this inquiry. And that is, the food council as it is presently structured is not the kind of body which can investigate the whole trade. It is made up of people who

come from the trade. Therefore, would you not agree it would be better to have an independent trade practices committee that may have a relationship with the food council but would be, in effect, the inquiry body?

Mr. Poole: I would not object to that at all. If we can get three people, I would appoint them to the food council and I would appoint the chairman as a vice-chairman of the food council for the purpose of conducting the inquiry.

Mr. MacDonald: What would your reaction be to the suggestion that you have a trade practices committee made up of two people appointed from the membership of the food council, one of whom would be a consumer—and therefore you would have the benefit of the whole ongoing experience and relationship of the food council—and in addition to that, there be one person appointed by each of the political parties?

Mr. Poole: Let me answer that this way. I agree I would like to see a member of the Ontario Food Council who is a consumer representative on that but I don't think that should comment on who should appoint the other two members. It would be a personal predilection on my part, and I think it would be kind of improper for me, in front of this committee, to either suggest names or the type of people apart from that consumer person.

You know, Mr. MacDonald, I am pretty skilled. There are very few people who can alienate all three political parties at the same time with one report the way I have done.

I think I have gone as far as I can. You know, I want to be able to have lunch with my head still on my shoulders and I think I had better not comment on that suggestion.

Mr. Nixon: Maybe the minister will make comment on the suggestion.

Mr. MacDonald: May I make the suggestion, specifically for consideration of the committee: that the trade practices committee which our counsel has suggested be two people from the food council, one of whom would be a consumer and one person appointed by each of the political parties. And that body then—

Mr. Poole: I take it the government would choose the chairman.

Mr. MacDonald: Okay, the government appointee, you mean in addition?

Mr. S. Smith: No, no, of the five.

Mr. MacDonald: Of the five, fine. You would have a group of people who could be deemed to be genuinely independent and yet have a working relationship with the food

council. They would be able to pick up from their experience and their involvement, which would presumably become an even greater involvement if they are going to more actively monitor wholesale and retail prices from this point forward. And you would have the consumer representative.

I would like to throw it out for discussion. Do you want me to formalize it in a motion at this point, Mr. Chairman? If you would allow a general discussion, I will make the motion later.

Mr. Chairman: What is the opinion of the committee? I think we should proceed with the report, Mr. MacDonald.

Mr. Nixon: Could I possibly have a little clarification, just so we understand what the proposal is, particularly if we get a chance to think about it while Mr. Eaton is asking questions? Does this mean, Mr. MacDonald, on point two, that "such an inquiry be conducted by the Ontario Food Council to be constituted or reconstituted . . . "?

Mr. MacDonald: No, no.

Mr. Nixon: That's out? But the food council would be represented by someone from it.

Mr. MacDonald: In effect, it would be, "Such an inquiry will be conducted by a trade practices committee," which would be made up of five people—

Mr. Nixon: A committee of what? It's a commission, not a committee.

Mr. S. Smith: Under the Public Inquiries Act—

Mr. MacDonald: Well, commission, inquiry—

Mr. Nixon: It's a big difference.

Mr. MacDonald: I agree with you; I think it's a difference in form, not in substance. Commission, committee—

Mr. Nixon: If you call it a committee, it could be a committee of the food council; it could be a committee of the Legislature. A commission stands only with the authority of an order in council.

Mr. MacDonald: Am I not correct that it was the Camp committee?

Mr. Nixon: That was appointed by the Legislature.

Mr. MacDonald: Okay, right. Camp committee.

Mr. S. Smith: We want one under the Public Inquiries Act, though.

Mr. MacDonald: But the Camp commission, I think, had the powers of the Public Inquiries Act. These are details in which—

Mr. Nixon: Camp, by the way, had a royal commission with terms of reference.

Mr. MacDonald: But it was called the Camp committee.

Mr. Deans: No, it was the Camp commission. We don't care whether it's—

Mr. Nixon: It was the Morrow committee.

Mr. S. Smith: The Morrow committee and the Camp commission; that's right.

Mr. MacDonald: Let me make my position very clear. I think it should be an independent body, independent of the food council, but its personnel should be made up of two people from the food council, one of whom would be a consumer representative; a chairman appointed by the government; and one person appointed by each of the opposition parties.

Mr. Nixon: Before we go on with Mr. Eaton's questions, I think this suggestion is a very acceptable one. Just so I don't appear in any way intransigent or misinformed, when you were talking about—and the suggestion as a name first came from Mr. Poole—a food pricing committee—

Mr. MacDonald: Trade practices committee.

Mr. Nixon: —a trade practices committee, I thought it was intended to be a committee of the food council—

Mr. MacDonald: Not in my view.

Mr. Nixon: —not necessarily being a part of the executive of the food council, but being responsible to it. I think it would be helpful if it were referred to as a commission, particularly if you want it to be independent, and have its status set out in an order in council.

Mr. MacDonald: All right. A trade practices commission, appointed under the Public Inquiries Act with all the powers of that act—

Mr. Nixon: Is somebody writing this down?

Mr. MacDonald: —with personnel which would be two people from the food council, one of whom would be a consumer representative; a chairman appointed by the government; and one member appointed by each of the opposition parties.

Mr. Chairman: Perhaps, Mr. MacDonald, we could discuss that after all the members of the committee have had a chance to review the report.

Hon. W. Newman: I just want to clarify one point. I think it was Mr. MacDonald who brought up the food council. They do undertake a certain amount of monitoring at the retail level for the food basket. As far as wholesale prices are concerned, I believe it is Dr. Ostry who has been given a mandate at the federal level, with a \$3-million budget,

to look at wholesale discount practices and other things, to replace the Anti-Inflation Board. That's my understanding.

Mr. Poole: That's right, Sylvia Ostry.

Mr. MacDonald: You are suggesting that the proposal—

Hon. W. Newman: I am just suggesting to you that at the retail level we are doing some monitoring.

Mr. MacDonald: If the food basket is the only thing, that's a really hole-in-the-wall secret operation.

Hon. W. Newman: You are entitled to your opinion—

Mr. S. Smith: Discount practices and rebate practices are not being looked at by Dr. Ostry.

Hon. W. Newman: He's looking—

Mr. S. Smith: She.

Hon. W. Newman: Sorry. She's looking at wholesale price differentials and such like. I can't tell you her full terms of reference; maybe Mr. Poole could.

Mr. Pope: I want to ask a couple of questions, if I may. You mentioned, Mr. Poole, that you had visited in different parts of Ontario and had come up with six complaints. What other efforts did you make to elicit complaints?

Mr. Poole: I did nothing.

Mr. Pope: Were these complaints referred to you by people who had previously testified here, or how did they come to your attention?

Mr. Poole: In part. I would appreciate it if you didn't follow that line of questioning because I don't want to reveal my sources because of the nature—

Mr. Pope: I will follow up with just one question. There has been reference to anonymous complaints. Were the complaints that you investigated all the anonymous complaints that were received?

Mr. Poole: I can't answer that.

Mr. S. Smith: How can he investigate an anonymous complaint? Whose address does he look up to visit?

Mr. Pope: I don't know. Maybe you can tell me. How many anonymous complaints did you receive?

Mr. S. Smith: I received about half a dozen, but how could I possibly tell him to follow up an anonymous complaint?

Mr. Pope: So there's six.

Mr. McGuigan: It's like finding the mother of the Unknown Soldier.

Mr. Poole: I might say there were three other people who agreed to see me and then refused.

Mr. Pope: There are these six and the six anonymous complaints that Mr. Smith has referred to, plus three more.

Mr. MacDonald: I have had many anonymous complaints. In fact, I drew to the attention of the committee one on the hiding of a rebate in the freight charge from Leamington to Toronto. I am told that if the books of the supermarkets are examined that the evidence is there to be picked up prior to May 10 when they cut it out.

Mr. S. Smith: There were another six apparently, in addition to those that came to me. But who knows, they may have been the same people that called Mr. MacDonald. I didn't go to visit them all.

Mr. Pope: I think you made a comment in answer to a question to the effect that perhaps the rebate and discount system should be done away with and that the supermarkets themselves would like to see that because you felt they had worked themselves into a situation of having to use these systems. Do you have any opinion or any evidence one way or the other concerning what effect cancellation of these systems might have on prices to the consumer?

Mr. Poole: No, sir, I have not, although I have to admit that I have heard the chain stores here, particularly Mr. Nichol, say that it would have the effect of having an increase in consumer prices. Anything that I can say about that would be opinion on my part because I don't know. I don't feel that I am any more qualified to be able to decide that question, with respect, than you are.

Mr. Pope: You mentioned, if I can go back to page three, number 8, the death knell of independent grocers. From your experience and from your research, have grocers tended to become dependent by virtue of the contractual arrangements they enter into with the wholesale food operations because of rebates and discounts?

Mr. Poole: My feeling is that there is unfair competition. It's an unequal battle between a large chain and a medium-size processor or manufacturer. The end result, if it ever comes, will be the Alberta situation as we have today and, frankly, they don't know how to handle that now. I don't want to see that happen in Ontario. If you are asking me can I prove it, then no, I can't prove it. Once again I can only say that your opinion is every bit as valuable as mine. But at least this thing is out in the open and we

can take a look at it and we may be able to assess where it's going. I repeat that I think that if the chain stores had to get rid of all this paraphernalia and this plethora of words which mean only one thing and get back to a straight volume discount, in the long run they would find it would be very healthful therapy for their own business administration and for the public weal as well.

[11:45]

Mr. Pope: So your concern is the unequal competition between the independents, the small grocers not tied to any wholesaler as opposed to the large chains?

Mr. Poole: Yes.

Mr. Pope: You don't see the disappearance of independent grocers, in your terms, relating to their being encouraged to enter into supply contracts with wholesale chains controlled by the chain stores?

Mr. Poole: I think that's how ICA got started. They had to band together. Mr. Warnock and Mr. Wolf said that, or words to the effect that the only way they could withstand the chains was to form some consortium to help their buying.

Mr. Pope: What I'm trying to get at is, do you see that as the real trend for independent grocers, in other words, to band together or get into supply contracts with chain stores?

Mr. Poole: No. What I'd like to see are more independent people. I think that's the difference between the British Columbia situation and the Ontario situation.

Mr. Pope: You mean you would like small grocers—

Mr. Poole: In British Columbia they have smaller chains. That creates your competition and your independents. We don't have that in Ontario.

Mr. Pope: I understand from comments that were made earlier that this report or some draft of this report was in the minister's hands and he didn't look at it.

I notice that you refer to June 1st, have you changed any of your opinions in this report based on evidence that has been given since you wrote the report?

Mr. Poole: Yes, I have changed my opinion because if an inquiry under the food council act is not acceptable to this committee, then the compromise I suggested, of some kind of a trade practices committee or commission under the aegis of the food council—I depart from Mr. MacDonald on that aspect, but that's a detail that can be worked out—is a departure from this report. As far as the

substance of it, I haven't changed my mind. I have the unfortunate disability of being a shanty Irishman, and we don't seem to change our minds nor let the facts persuade us very much once we've got our prejudices made up.

Mr. Nixon: Where do you fit in, Mickey?

Mr. Hennessy: It all depends on what they are selling.

Hon. W. Newman: I'd like to ask counsel a supplementary question, because his conclusion number eight concerns me greatly. I think we pointed out earlier that the number of large chains has gone down and the number of independents has gone up.

Let's take a specific example, Knob Hill Farms. They started out with one store on Highway 7, and they have now built a successful group of stores, I believe four or five. I don't know how long they have been in business, I don't want to malign them, but obviously, they have been able to compete with the large chains and open up additional stores.

My concern here is over the small independent. I'm not saying Knob Hill Farms is a small independent. But they were able to break into the market, establish the store, and are expanding the business. I don't know who they deal with or how they buy but I have been out to the Food Terminal on several occasions—you have to be there at around 5:30 in the morning if you want to see the trading that's going on—and their representative is out there buying from farmers and other groups.

I'm just a little bit concerned you're saying this spells the death knell of the independent store. Sure, in some of the larger growing areas, some of the smaller stores have gone out of business because of the population concentration. But in many parts of the province, and in many other areas as well, there are a lot of small stores.

I drive along Bloor Street almost every day when I'm coming into the office. I don't know who they buy from, but I see Bloor Street lined with little stores that sell produce. I'm sure this is the case in many other areas in the city. These small stores must be surviving or they wouldn't be in business. I'm concerned when you say it spells the death knell of these small stores. I still think there's a place for small stores in Ontario and I think there will continue to be a place for the small stores. I just don't quite understand your reasoning.

Mr. Poole: You might be right, Mr. Minister. You have more information than I. I share one thought with you: I am a pro-

ponent of the small independent store. I like to see the small storekeeper stand up and fight an even battle with the chains. I suspect the battle is not equal at the present time. I doubt the figures we heard here indicating that independent stores are growing and have a greater share of the market. I suspect that maybe in those figures Becker's and Mac Milk are included as independent stores which would affect the statistics.

If you ask me for proof of my statement in point eight, I can't give it to you. But I can tell you that's my opinion which, with courtesy and despite your remarks, is still unshaken.

Hon. W. Newman: I guess you'll say the Statistics Canada is all full of you know what because that's where those figures come from. That's all I can point out in passing.

Mr. Pope: Mr. Chairman, I want to follow up on that. I take it Mr. Poole feels that if a small grocer got into some arrangement with other small grocers or if a small grocer entered into a supply contract with a wholesale operator, he would no longer be independent.

Mr. Poole: I don't know. I don't think that I've ever defined in my mind what the term would be. But I don't have to have a definition. I can smell them. It doesn't concern me if you have a system of volume discounts. I think, for example, if a supplier delivers a whole carload of apples to one place, he should get a discount as compared to delivering one crate of apples to 150 places. But I suspect that we're not just dealing with volume discounts. Great paraphernalia are attached to it in that name. I feel the independent little store receives no benefit and all the disadvantage.

Mr. McGuigan: I'd like to ask Mr. Poole further questions about the illegality aspect. I have no legal background but I have been told that if I didn't have on the bottom of the invoice that one and a half per cent or two per cent a month interest would be added on unpaid accounts, then I have no right to charge that. The thing could go on for a year and still I would only be paid my original invoice amount. Is that correct?

Mr. Poole: My legal background is about as shaky as yours, Mr. McGuigan. What I remember is that statement has no force of law; you could put anything in it. I suppose the reason it has no force of law is that it's a unilateral contract. You're saying what you're going to charge, but when you send the invoice through the mail you have no acceptance from the other person to make a binding contract of that.

I will say this: I'm appalled at this one and a half per cent for quick payment. The money is owing when the goods are received. I think one and a half per cent is unnecessary and redundant.

Mr. McGuigan: In my own case, where I sent invoices for the full amount and received a cheque back that was discounted, I felt that was on legal grounds in sending an invoice for the full amount. If there was any wrongdoing it was on behalf of the people who sent the cheque. Couldn't growers who are in this position of having received less than the full amount go back over—what's the statute of limitations, seven years or something?—that period and demand that money for the past seven years?

Mr. Poole: I think so. As a matter of fact, there is a very good example of how it works. We had an apple grower before this committee who objected to it or his son did. The main stores immediately changed. Do you remember that fellow, Mr. McGuigan? It was you.

Mr. McGuigan: I'm quite acquainted with him.

Mr. Poole: If all the apple growers did that, they'd do away with this discount. In other words, you scared them off.

Mr. McGuigan: In a commercial sense then and perhaps not in a criminal sense, it's pretty questionable whether or not these were illegal practices.

Mr. Poole: I don't think they're illegal. They're not criminal.

Mr. McGuigan: No. On the 1.5 per cent discount, as you know, I've been in the food business all my life, there are two rating books that are international in scope. They come from the United States, but they're allowed here in Canada. They're called the red book and the blue book. Periodically, people rate each other. I get letters every month asking me to rate So-and-so that I've done business with. They have a scale from one X to four Xs. Very few people secure the four Xs. It's hard to get four Xs.

In order to secure it, you have to pay within 10 days. They make the statement, in asking you to fill this out: "There is no such thing as slow but good pay in the food industry." As everyone can appreciate, you can't repossess food. I point out too that the food sold in the supermarket is sold for cash. A great many people in other walks of industry and commerce do consider two per cent for cash as normal. But I'm here to say that it is not normal, as you have said, in the food industry. The food industry is cash or cheque.

Mr. Nixon: Every time I say "cash," somebody misinterprets that.

Mr. McGuigan: A few years ago at a market you would find people carrying around very large sums of cash, but it's largely cheques today.

You mentioned that the marketing boards have protected most producers. Are you acquainted with the figure from the Ontario Fruit and Vegetable Growers that there are about \$60 million worth of fruits and vegetables in Ontario that are not sold under marketing boards and are not likely to be sold under marketing boards? I guess the most prominent one would be potatoes. Because the market is really governed by Maritime imports, a marketing board here in Ontario would not be very successful. We have a potato processing marketing board. I see the minister nodding his head, but that hasn't been altogether successful either. They're having problems.

In the fresh potatoes, the market's governed by imports, so it isn't possible—at least the growers haven't deemed it to be possible—to have a marketing board. There are a number of people—turnip people and others—that are not protected. I just wondered whether you were familiar with that.

Mr. Poole: Yes, I'm aware of that. As a matter of fact, the marketing boards don't apply outside the boundaries of Ontario. For example, I was tempted last night to say to these British Columbia gentlemen, when one of them said they were concerned about the self-sufficiency of their food products in British Columbia, "You can help solve that by not exporting BC Delicious apples to Ontario in competition with our farmers," but I refrained.

[12:00]

Mr. McGuigan: Being an apple grower, I would have shared your sentiments there. There's a farm saying that good fences make good neighbours. I think it applies to a number of instances. There is an act in the United States—and I know everybody is sick of hearing about the States—called the Perishable Agricultural Commodities Act. The very name recognizes the fact that perishable commodities—which is largely what we are talking about; fruits, vegetables and eggs—are so much different from non-perishable. You just don't have the choice of saying that you won't accept a deal, that you will put it in cold storage or can it and then sell at some later date through some other avenue.

They have a Perishable Agricultural Commodities Act. A good many of the terms read like our Farm Products Marketing Act here

in Ontario. They don't go nearly so far on the marketing aspect. I have acknowledged to the minister many times that our Farm Products Marketing Act is the best in the world. On the trade practices side of it, they have one simple little mechanism, which was recommended in the 1969 inquiry, that says you can't be both a buyer and a broker. Would you think if we had that simple little addition, then we wouldn't be here today talking about these discounts?

Mr. Poole: Mr. McGuigan, I thank you for your confidence in me. I just haven't the background to answer your question, I have to tell you quite honestly that I don't know.

Mr. McGuigan: I talked to the administrator of this act in Washington by telephone. He said that just recently they had caught a chain store—I can give you the name but it wouldn't serve any purpose—that was doing this. He said that from time to time the same thing keeps rearing its ugly head. They do have this fence there that immediately steps in and stops the practice.

I would think that if we had that simple little addition we wouldn't have what the BC people admitted as being very confusing and, I would say, also intimidating. We wouldn't have had this inquiry. We wouldn't have this problem.

Hon. W. Newman: May I make a couple of comments on what you brought up about potatoes? You are quite right about our potatoes. As you may be aware, to bring you up to date on the situation, by and large, I think all the provinces in eastern Canada are ready for and will be discussing next week at the federal-provincial conference the formation of an eastern Canada potato marketing board.

We do have a processing board and there have been some problems. I won't go into the details. I think somebody covered it very well last night. With respect to products that are not covered by a marketing board, that does not mean producers can't have a marketing board. If they want them, they can have them. The other thing you mentioned was the buyer-broker position. The information we have is that less than five per cent of the people are buyer-brokers. We feel it is closer to one per cent, but we're still checking that out. It is a very small quantity.

Mr. McGuigan: I am saying that Loblaw's or Loeb or whoever we have already discovered who are doing these discounts would fall under this classification of buyer-broker, as they do in the United States under the PACA legislation. Therefore, they could not carry on this practice. I think that several

of the chain stores would welcome this so that they would know what the rules are. If we look at what has happened, the Loeb thing has been going on for many years. Loblaw got into it about a year ago. Then to protect themselves, Dominion came out openly with this thing that they wanted growers and suppliers to sign in order to protect themselves and to keep themselves on the same level. They had to do it. If we had this fence, don't think the problem—would be there. That's the point that I am trying to make.

There is another point that I wonder if you or the minister has examined, especially in view of the presentation last night where the BC people told about their program. BC Tree Fruits, as I understand it, except for a few renegades, physically deliver the fruits to a yard just as the hog people here in Ontario deliver their hogs to a hog marketing yard. The fruits and vegetables people here—and I have in mind mostly the apple commission and the Fresh Fruit Growers Marketing Board—do not physically receive the goods. They set the price and all the terms and condition of the operation. They sit as a policeman at the side, but they are not really part of the vertical chain from producer to assembler to receiver. Therefore, they are not quite in the position of greenhouse vegetable people who are in that line.

Mr. Poole: I think you are right. They copied their method, I believe, from the Sunkist orange people. That is the method they use. That is why the only apple you get is BC Delicious. They are all called that wherever they are grown, like Sunkist orange. I think that is their model.

Mr. McGuigan: In Ontario, our marketing boards and commissions are sort of horizontal at the side. Unless individual people complain they don't know what is going on. My point is that the BC thing and the Ontario thing are quite different. Would you agree that they are different?

Mr. Poole: Yes, I think there are great differences.

Mr. McGuigan: I think that covers the point I wanted to make.

Hon. W. Newman: I would like to comment on the apple commission. It is before the Farm Products Marketing Board. I pointed out last night and I think I should point out again today—you might agree with me or you might not—that when the apple commission, was set up back in the 1960s, it was carrying on a practice with regard to the five per cent discount that had been going on. For instance, if they delivered apples to 18 different stores—I don't know

whether you have done this or not—they were prepared to pay the five per cent. You got a cheque from head office.

One thing I should point out about the apple commission—for I have to give them credit, forgetting the illegalities that may be going on that are being investigated—is that they are getting right now a dollar a box more for apples than our neighbouring states, and there is no tariff differential, I think the commission has done a good job.

Mr. McGuigan: Nobody has worked harder for them than I have.

Hon. W. Newman: That's right. I know that you are a member of it. I am aware of that.

Mr. McGuigan: No one has worked harder for it than I have. Dr. Collin gave us a sheaf of letters, one of which was a letter from Bill Bond back in 1972, saying that these accounts were illegal. That's in that sheaf of letters from Dr. Collin.

Mr. Swart: I want immediately to commend Mr. Poole for the report we have before us. I think we all agree that he has done an excellent job of digesting the submissions which were made here and investigating those other complaints that were brought to him. I think the evidence he has given this morning alone indicates the need for a further inquiry of some kind. I would hope that we all agree with that.

It seems to me, if I can be so bold as to summarize your views and the evidence in the report, that you are very concerned about the discount, rebate, kickback system, or whatever you want to call it, and not primarily because of the injustices in it, although there are real injustices, but because of the effect that it has now on concentration of retail marketing and particularly concentration in the future. Am I right in assuming that is a general thrust of your report?

Mr. Poole: Yes, you are.

Mr. Swart: I agree with that. I also take some issue with those who have been indicating that there isn't a trend towards concentration. It seems to me that the evidence we had before us, certainly by Mr. Warnock of IGA and the figures he presented, indicates that there is a very real trend towards concentration.

I would like to point out that in the Canadian Consumer issue of June 1977 there is an interview between Bruce Mallen, professor of commerce at Concordia University in Montreal, and Maurice Shore, editor of Canadian Consumer. Mr. Mallen states that the trend, at

least up to two years ago, was an increase in concentration. It started to move up in the late 1960s and continued without a stop. Every year, the market share was greater.

Then, of course, there are the figures that were given to us by Mr. Warnock of IGA. I know these were disputed somewhat, later, by some other people, but they didn't give us any figures to disprove the figures given by Mr. Warnock. Those figures showed that in Ontario, the share of the supermarkets—Dominion, Loblaw's, Steinberg, IGA and A and P; and he pointed out that that IGA was just the IGA-owned stores—had gone up from 76.4 to 78.3 from December 1976 to December 1977 and the national share of the market by those stores plus Safeway had gone up from 65 per cent to 67.9 per cent, almost a 3 per cent increase in one year.

What's more significant about it, I suppose, is that Dominion, the biggest of all, has gone up from 35.6 per cent to 38.6 per cent in Ontario and nationally from 23.4 to 25.6 per cent. If you analyse this it becomes perfectly clear that the biggest in every area are increasing in a share of the market and the others are decreasing.

In spite of what I interpreted to be an attempt by the minister last night, when the investigative committee from BC was here, to indicate that they were recommending no further investigation, et cetera, into this matter of the kickbacks and the concentration of power; the facts are that their only main recommendation was that "the federal Department of Consumer and Corporate Affairs should be requested to conduct and publish a detailed and comparative study of the Canadian-American system, rates, allowances and discounts, and emphasis should be given to the structural effects and economic benefits and costs. This examination should equate the equity of various volume rebates and discounts with a true cost saving from such volume."

Yes. Did you want to interrupt?

Mr. S. Smith: Just to supplement what you are saying, Mr. Swart, they also pointed out that there would be other reports coming which may even contradict the findings of this report. This was a research report.

Furthermore, they admitted that this practice had led to concentration. What they were not sure of was that concentration was a bad thing. I think you and I agree that this concentration is a very frightening thing. The other thing they told us is they're down to one wholesaler in the whole of British Columbia.

Mr. Swart: Yes, it's very frightening and, in no way, did they indicate that the inquiry shouldn't continue into this matter. They are saying it seems to me in this report, that they have the evidence now that there is this trend towards concentration, no use having a further public inquiry into it, but they think it exceedingly important that some level of government do the investigation into the long-term and short-term effects of this whole discounting practice.

I think it's significant, too, that Peter Hanman of the Ontario Federation of Agriculture, when he was before us the first time, made it clear that he felt that the fundamental usefulness of this inquiry was into the matter of government do the investigation into the long-term and short-term effects of this whole discounting practice. Perhaps I can quote from him:

"First of all, it would be advisable that the scope of an investigation be broad enough to get to the root of the problem. The issue is not just whether the merchandising practices are legal or illegal—it's more an issue of the magnitude and extent of various discounting practices, and the implication they have for the food industry. It's not primarily an investigation of two per cent discounts by fruit and vegetable producers, it is the economic and social consequences of all the merchandising practices in the food industry."

He goes on to express his concern.

Mr. Nixon: Mr. Chairman, I have a point of order. The committee is expecting to adjourn in 15 minutes. I understand another committee will be coming in to use these facilities.

Mr. Swart: I'm just concluding with a question.

Mr. Nixon: It would be wise to close the matter before us and vote the estimates for the minister.

[12:15]

Mr. Swart: I want to put a question to Mr. Poole. The BC recommendation at this time is that somehow or other they opt out of it now and turn it over to the federal government. My question to Mr. Poole is: Aren't there many areas that would come under the jurisdiction of the provincial government whereby legislation could be passed or pressure could be applied by the Ontario government so that if there is an investigation and this inquiry proceeds, the Ontario government, if it wished to, could take many steps to resolve the problems it might find? For instance, if they found that these discounting practices were bad in the long term, wouldn't they take steps to correct them?

Mr. Poole: Yes. My opinion is they could.

Hon. W. Newman: Mr. Chairman, I don't want to delay proceedings but I want to clarify a point. Mr. Swart is right. From 1965 to 1974 there was a drop in the number of independents. But just to be clear—because we have had different opinions from various people who have been here—Statistics Canada has said: "The four largest retail chains had 49.9 per cent of the market in 1974 and their share declined to 48.9 per cent in 1977. The independents' share of the market increased from 31.5 per cent in 1974 to 32.1 per cent in 1977."

Mr. Swart: Can you tell us what is meant by "independent"? Are IGA stores independent? It gets back to your question. We don't know what the interpretation of "independent" is and it is meaningless unless we do. All the other evidence points the other way.

Mr. McGuigan: The discounting by Loblaws only began a year ago, and Dominion was just moving into it, other than milk.

Mr. S. Smith: No, no. It's older than that, much older than that.

Mr. MacDonald: That's a point for further inquiry.

Mr. Eaton: Mr. Chairman, I'd like to take issue with something Mr. Poole said; that's his great condemnation of discounts for cash in 10 days. As a producer, I received my fertilizer bills on Saturday and it's two per cent cash discount in 10 days. It amounts to a sizeable amount, and I'm sure many other producers are in the same boat.

Mr. Poole: May I point out the differences? What the fertilizer company is giving you is a reduction of two per cent to get the cash in.

Mr. Eaton: That's right; and that's what you are condemning, that practice of cash discounts for 10 days' payment.

Mr. Poole: But what the chain stores are demanding is an additional 1.5 per cent when they do pay the cash. My understanding is they're adding it on, not deducting it.

Mr. Eaton: No. They're deducting it. If they pay you within 10 days they're saying this apparently was the practice—they're going to deduct 1.5 per cent for paying you that quickly.

Mr. S. Smith: Whether you offered that or not.

Mr. Eaton: Yes. I don't agree they should automatically do it. But don't condemn the overall practice, because it's very prevalent and very much of a trade practice in many other areas. There are a lot of volume discounts too that one depends on and looks for.

Mr. McGuigan: Just try to do that down at the Ontario Food Terminal. They'll throw you off there.

Mr. Eaton: I would like to ask a question in reference to page two, the fourth statement at the bottom of the page. "Co-operative advertising schemes are now common practice within the food chain with no acknowledgement being given to those suppliers who furnish all or part of the cost."

What do you mean by that? They probably don't say in their ad that part of the ad is paid for by such-and-such. But I think the big acknowledgement is that their product is appearing in the ad. Wouldn't that be so?

Mr. Poole: If you read the flyer you would think all the money to produce the flyer came from the chain store, which we found out is not true.

The Grocery Products Manufacturers association has complained about the pressures in this co-operative advertising. The people spoke to in the field object strenuously to it. One processor said: "They put about one line and they want \$5,000 from me. And we have to pay them. It's a very bad form of coercion. We don't like it and we would like it topped."

The other thing is that the chain stores advertise in this way. We have no indication from the evidence before us whether all the money collected goes to the ads or whether it's used to pay a couple of their clerks in the store or to put up some advertising in the store. Nor can we find that out. Nor can the supplier find out.

Mr. Eaton: Didn't they indicate before the committee that money that when into a co-operative advertising program was used for a number of things—maybe partially for the ad, partially for the discounting—

Mr. Poole: At their discretion. If there is nothing to hide, let them publish the figures so we can all decide whether it should be an acceptable practice or not, Mr. Eaton. That's my point.

Mr. S. Smith: I might just add in the United States they have to give proof of what they did spend on the advertising.

Mr. Eaton: One of the indications was that it's pretty hard to break down how much goes in the advertising. How do you break out one clerk's time to place something on a shelf or to set up a display?

Mr. MacDonald: It is like breaking down the cost of milk; you can do it if you want to.

Mr. Swart: It encourages excessive advertising too.

Mr. Eaton: Statement five reads: "Discounts do not seem to be related to volume selling but perhaps are related to concentration in the hands of a few (see Hansard, R-570)." Who are you quoting there?

Mr. Poole: I don't remember. I forget what that reference is, and I don't have that Hansard with me.

Mr. S. Smith: Certainly the BC study said that.

Mr. Eaton: But I was concerned about who made the statement. It's okay; we'll have to look it up after.

An item was raised in the report in regard to a practice of asking the processors for discounts and their discounting practices affecting the small processors.

Wasn't there an indication before the committee that in many cases the small processors were providing either no-name products or in-store brands and the same discounting practice wasn't necessarily in effect?

Mr. Poole: I don't think I can answer that question, Mr. Eaton. You may be right but, frankly, I don't remember.

Mr. Eaton: Okay. On page 10 of your statement you state: "It was with us in 1972 and disappeared only to reappear again in 1978 to disappear again." Are you referring to a specific discount practice?

Mr. Poole: The two per cent.

Mr. Eaton: Just the two per cent? My understanding in the committee is that the other types of discounts, volume discounts and so on, have been ongoing.

At the bottom of page 11 you make reference to a statement about store income: "It would be interesting to determine if the profit of the chains includes both items or only 'store income.'" Was that not clarified both by some people before the committee and by the BC committee last night, that it was certainly included in their overall profit-and-loss statement?

Mr. Poole: That's what the BC people said as far as British Columbia was concerned. I am not suggesting for a moment that there is anything wrong as to which affiliated company the funds go. But one hears the boast "Nobody is making very much money on groceries at the retail level. If you don't allow us to continue to do certain things, then the threat is the cost of groceries will go up to the consumer and all the perils will fall on your head."

I think it might be an interesting thing to examine what rents grocery stores pay, where all this money goes and whether it is

attributed to groceries in the cost or not. Frankly, I don't know.

Mr. Eaton: But somewhere it all has to come out on the bottom line of profit and loss.

Mr. Poole: Yes.

Mr. Eaton: I just want to make a couple of statements in regard to some of the things that have come out in the hearing. Certainly your report here refers to many of the items that have been brought forth in regard to some questionable things, you might say. You certainly indicate they are legal, but there's the question of whether we accept those practices, if they are acceptable to the public and so on, and that is perhaps what we should be looking at.

I think it also came out fairly clearly in the committee that the Ontario Food Council has investigated, as has the Ontario Farm Products Marketing Board, when it has had complaints. In some cases, cases like Mr. McGuigan's, probably investigations would have turned up the whys and wherefores if those complaints had been brought to the food council, the farm products marketing board or, in that particular case, the apple marketing commission.

One thing this committee should try to do is encourage producers to get that information, in confidence, to any of those three groups at any time. There should be that kind of relationship between the producers, their marketing boards, the food council.

Mr. Poole: I am a supporter of the food council and I think the food council has been doing a good job. As far as Mr. Williams is concerned, I think Mr. Williams interpreted his position as being not retained by the government to go on a witch-hunt every time something comes up.

His position is vulnerable, because he is damned if he does and he is damned if he doesn't. I must say that I think he does a good job, and I think the food council does a good job and I think the milk commission does a good job. So if there is anything in my report that would suggest the contrary, I want to clear that up.

Before you criticize me too much, Mr. Eaton, I want to remind you I am one of your constituents.

Mr. Nixon: That will strike fear into him.

Mr. Eaton: That's beautiful. That's a real threat. I wasn't criticizing you, by the way.

What I was suggesting was that, in addition to what you are saying here, you might make some reference to, and we might in-

clude in our report some place, the encouragement to producers—and to consumer too, as far as that goes—to come forth—those committees or marketing boards, whatever they might be, with their recommendations. I don't think that came out in the report, and that is what I am trying to stress.

I think the minister himself indicated I was willing, with some facts, to look at some of the complaints that were there. Perhaps he would be open-minded enough to look at that recommendation that was put forward that a couple of members of the food council be on it; I think Mr. MacDonald suggested a producer; I would go so far as to suggest that perhaps a consumer—

Mr. Poole: Mr. MacDonald suggested consumer.

Mr. Eaton: I've got it the other way around; excuse me. He suggested a consumer. I would suggest that a producer—maybe someone like Mr. Piott, who is on the board and who has been involved in our marketing boards and so on—could be the other member of that particular committee. He has had background in it.

The suggestion is that they are looking for two people within the council on a committee like that. I don't think the representatives of the trade on the council have that kind of biases that some people have accused them of having. I don't fully believe they have the same kind of bias as would someone from Dominion Stores, for instance who is on the food council, in looking at a complaint about Loblaw's or his own company.

If you are going to consider that, Mr. Minister, I would think you should consider not only the consumer, but a producer being represented on that committee.

To comment on Mr. MacDonald's suggestion that a member from each party be on that committee—

[12:30]

Mr. Nixon: Not from each party.

Mr. S. Smith: A nominee.

Mr. Nixon: A nominee.

Mr. Eaton: A nominee, that's what he said.

Mr. Lane: That's not what the Leader of the Opposition said. He said a member from each party.

Mr. S. Smith: Not a member, a nominee you might nominate somebody from the food industry, et cetera.

Mr. Eaton: Not a member of the Legislature?

Mr. S. Smith: Not a caucus member, no. Not even a member of a party.

Mr. Eaton: That's the way I took it. I was going to suggest what the member is saying, that it not necessarily be a member of the party.

Mr. S. Smith: Not even a member of the party.

Mr. Eaton: Right.

Mr. MacDonald: You don't listen closely enough.

Mr. Nixon: I don't think it would be proper for it to be a member of the Legislature.

Mr. Eaton: I can accept that idea then.

The minister has indicated he is prepared to take steps to have the food council follow up and look at the trade practices without getting into a royal commission type of setup where we would have formal hearings and so on. The minister has indicated throughout the hearings that he is willing to look at the allegations people may bring forward if they have evidence to substantiate them. If that is the feeling of the minister, I'd be prepared to support him.

Mr. McGuigan: Mr. Chairman, may I raise a small matter of privilege? I don't know whether the member for Middlesex meant to imply that I didn't go to the marketing board, but I'd like to point out that my son solved this problem directly with Loeb. We didn't have to go to the marketing board. That might have been the next step, but it was not required in this case.

Mr. Eaton: It would have been good if you had done so when there was an indication of such a practice. Sure, you solved the problem to your own satisfaction. But what they really did was add on six per cent and maybe that wasn't very satisfactory. That kind of practice is what producers should make their boards aware of. That's what they're there for. Certainly in my experience in five years with the white bean board, producers didn't hesitate to call at any time if they didn't feel they were getting a proper pick or a proper moisture content. If they felt they were getting discounts, they called the office very quickly.

I think that's the kind of relationship the board should have while representing its producers. The producers shouldn't hesitate to make a board aware of that kind of practice.

Mr. McGuigan: If you take a look at the two letters, one from the Norfolk fruit growers and one from the apple board itself

back in 1972, you will see a real conflict there.

Mr. Eaton: Certainly I do, but what I'm saying is you weren't aware of that and we weren't aware of it. If you had drawn that to the attention of the commission, they would have made you aware of it at that time. Maybe you would have accepted it or maybe you wouldn't have. If you hadn't, maybe you could have raised some Cain about it within the board and could have had the practice changed.

Mr. McGuigan: That certainly would have been the next step, but I didn't feel it was required.

Mr. Nixon: I want to say I appreciate the report from Mr. Poole who is undoubtedly an objective observer in these matters, in spite of the fact that he lives in the Middlesex riding.

Mr. MacDonald: Maybe he voted for him.

Mr. Nixon: He didn't say so. I also think Mr. Eaton's questions were quite valuable as well, particularly when he indicated that, as far as he was concerned, he felt the proposal for a commission was a useful one. I think we would all accept and appreciate the usefulness if the three parties represented here could come forward with a single—and, I trust, reasonable and moderate—recommendation to the House. While we have heard from Mr. Eaton and some other members of the government party, it would be very useful if we could get the acceptance of the minister as well.

I don't have any questions on the report, but it's time we moved to a motion and the disposition of this matter. The work of this committee has been quite effectively and efficiently done.

It was never our intention, as I understand it, to delve into all the details, but to get information from the principals in the matter and this we have done over the last eight or nine sessions. It seems reasonable and rational, particularly with the recommendation from our counsel, that we consider a motion that will establish a commission—if you'll permit the word because that's what it will be. I hope we can do that without delay.

Mr. MacDonald: Mr. Chairman, I'd be glad to make such a motion.

Hon. W. Newman: If there is to be a motion about how we're going to deal with this matter, I would appreciate the opportunity as the minister to sum up with some comments I worked on well into late last night before any motion is put.

I, also, want to thank Mr. Poole for a very comprehensive report. He has done a lot of work on this; he has done a lot of travelling; he has talked to individuals regarding their concerns about practices in the industry.

I take it you heard the testimony of both the Ontario Food Council and the Farm Products Marketing Board that any time complaints have been brought to their attention they have been dealt with in the appropriate manner and been cleared up. The same holds true of any group or individual that came forward with problems to the food council, to the Farm Products Marketing Board, or to myself in the past—and this includes political parties as well—we have taken them in hand and got them under control. Hansard will show whenever they were brought forward, the matters were cleared up.

I could talk about BC. I could talk about what I've said throughout these hearings. I have tried to keep an open mind. I've asked for cold hard facts. I'm prepared to make a recommendation to my cabinet colleagues and to our caucus—I don't know if they will accept it or not—along the lines of the BC recommendation. I'm prepared to recommend some sort of a committee. I think the food council has done a good job and the Farm Products Marketing Board has done a good job.

There have perhaps been some concerns regarding the food council and the milk commission. The food council is composed of consumers, producers, processors, and retailers. It's important that if we are going to do anything we have people who are not directly involved in the area we're discussing. I am prepared to propose a trade practices committee be established, composed of independent representatives, probably from the food council, without conflict.

I will give you some examples. I don't know if these people would sit because I haven't had a chance to talk to them. I think that Mrs. Barbara Shand, who is on the food council and who made a presentation before this committee, made her views well known. She's a member of the Consumers' Association of Canada, their Ontario representative. I think she would be an excellent person to have on this trade practices committee.

I would also like to suggest Mr. Sam Piott—you mentioned Sam Piott, Mr. Eaton—who is chairman of the Tender Fruit Growers' Marketing Board, a past president of the Ontario Fruit and Vegetable Growers' Association, and, I understand, a member of the Ontario Federation of Agriculture.

I suggest that it be a three-person committee. I don't know how Mr. Poole is going

to react to this, but I also suggest that, on an interim basis, the third person on this committee should be Mr. Poole. I'm not sure about the legalities, or how we do this under the present acts. The reason I would like him to sit on this committee is because he has had the opportunity of talking to people on a confidential basis. He is very knowledgeable about the situation and would be able to deal with it. Whether he would be willing to act, I don't know.

It may be that the trade practices committee will have to do additional work and make appropriate recommendations. They should probably start now or very shortly. They may make further recommendations to the government following the tabling of the final reports on the BC inquiry. As the committee gave evidence last night, they anticipate their report will be in by September or thereabouts. We might as well have the advantage of that report and the money it's costing them.

This trade practices committee, of course, is going to have to liaise with the federal authorities under the Combines Investigation Act from time to time because they do have a great deal to do with trade practices and responsibilities.

So rather than having a representative from each party or a nominee, I'm suggesting Mrs. Barbara Shand, a consumers' representative who is well respected; Sam Piott, who is respected by most of us around this table who have anything to do with agriculture; and Mr. Poole—he has disappeared—as an interim member.

I realize he is a lawyer and what the committee pays is probably not very appropriate for a legal counsel, but I certainly feel that if he acted as an interim representative on that committee, with his knowledge and his legal background and having sat through all of these hearings, some very good recommendations would come out of this committee.

I think I'm quite fair in saying I am suggesting people who have no direct connection with the ministry per se, two of them being on the food council at this time, and the third being the legal counsel to this committee who has filed his report today. One of these people could be chairman; it doesn't matter to me who is chairman. I'm suggesting to let them look into this situation.

This committee would have the right to hear confidential information, to look into situations, to make recommendations to the chairman of the food council, and, of course, directly to me, to take the appropriate action.

Mr. MacDonald: Mr. Chairman, I have a motion which certainly encompasses the spirit of the minister's suggestion although it may be different in some of the details.

Mr. Chairman: Mr. MacDonald moves that the committee, having considered the reference from the Legislature of the annual report of the Ministry of Agriculture and Food for 1977 submits the following report for consideration and adoption by the assembly.

"The committee thanks its counsel, Mr. William Poole, for his submission and accepts his recommendations with the following amendments:

"(a) That item 1 on page 16 of such report be deleted and the following substituted therefor: 'That an inquiry be conducted under the Public Inquiries Act into the marketing of food in Ontario with respect to prices, price spreads, price discounts, rebates and allowances, trade practices, methods of financing and management policies relating to the marketing of farm products; the term "marketing and farm products" to have the meaning provided by sections 1(b) and 1(e) of the Farm Products Marketing Act.'

"(b) That item 2 on page 16 of the said report be deleted and the following substituted therefor: 'That such inquiry be conducted by a food industry trade practices commission composed of a nominee of the Ontario Federation of Agriculture, a nominee of the Ontario section of the Consumers' Association of Canada, a nominee of each of the Progressive Conservative, Liberal and New Democratic caucuses of the Legislature, and that the chairman of the commission be appointed from the above nominees by the Lieutenant Governor in Council.'

"(c) That the word 'study' be substituted for the word 'investigate' in item 4 on page 16 of the said submission." That's the item of reference to Alberta and American practices and things of that nature.

Mr. MacDonald: If I may just note, Mr. Chairman, the suggestions as to personnel: Mrs. Shand may well be the person appointed by the Canadian Association of Consumers, and if the federation of agriculture thinks that Sam Piott is the appropriate person, he could be so nominated. In short, I think it conforms with what the minister has just outlined his willingness to do.

Mr. Chairman: Any comment on Mr. Poole?

Mr. MacDonald: I would hope that Mr. Poole would be one of the persons who

might be considered to be counsel for the commission.

Hon. W. Newman: Mr. Chairman, I am not a lawyer, and I would have to ask for legal advice here, but my understanding is that under the Ontario Farm Products Marketing Board act, the Ontario Food Council act, and whatever other act is there—maybe I could ask Mr. Dennis Brown, who is a lawyer, to come up and tell me some of the legal ramifications of the motion, because I don't know.

I was suggesting we go that route using Sam Piott, who is well respected; Mrs. Barbara Shand, who I think is well respected; and Mr. Poole—because I think we could do it under our existing legislation. I'm not sure whether this other route would require the amendment of some of our legislation, which could delay the whole process—

Mr. MacDonald: But the inquiry—

Hon. W. Newman: Let me just finish. It could create some legalistic problems; if that's the case, and if this House is going to adjourn on Friday or next week, whatever it may be, getting legislation before the House concerns me.

Interjection.

Hon. W. Newman: Just a minute. I'm just pointing out some of the concerns that I think we may have. I don't know; that's why I've asked Mr. Brown here to explain to us—

[12:45]

Mr. MacDonald: Mr. Minister, may I draw your attention to the wording, "that an inquiry be conducted under the Public Inquiries Act into" and so on. That can be appointed before the House adjourns or the week after the House adjourns. There is no roadblock there, legally.

Mr. S. Smith: If I might just comment on that, by appointing a committee under section 6(2) of the Ontario Food Council act, it is true that for purposes of carrying out an investigation the chairman or vice-chairman would have all the powers conferred upon a commissioner under the Public Inquiries Act. However, section 6(1) says the food council is limited to those matters relating to the producing, distributing, processing and handling of agricultural products or agricultural food products. In the Farm Products Marketing Act, however, there are much broader definitions of the words "marketing" and "farm products," which I am sure are much more in keeping with the intention of the minister, Mr. MacDonald and myself.

I also point out, as far as the membership goes, I do not personally know Mrs. Shand or Mr. Piott, but I would have thought the logical thing for us to do as a committee, since it's the principle we are interested in, would have been to leave it up to the Consumers' Association of Canada as to who it appoints. I presume they will choose Mrs. Shand. I don't know; maybe not. Mrs. Shand may be busy, for all I know. Similarly, we should leave it up to the Ontario Federation of Agriculture to appoint who it thinks would best handle this type of situation. As I say, I think Mr. Poole as a possibility for counsel is an excellent thought.

There's obviously no legislation required. The minister's concern is understandable but groundless in this instance. I am sure his legal colleague will tell him that. It's just as easy for them to appoint a commission under the Public Inquiries Act as it is to appoint one under the food council act. It is just a question of which act is the better one to appoint it under. Given the points that we have brought up about definition and membership, I think Mr. MacDonald's motion is in keeping with the spirit of the minister's suggestions.

Hon. W. Newman: I don't think so.

Mr. Chairman: Could we call on Mr. Brown to give us an opinion? Mr. Brown, could you help us out on this problem?

Mr. Deans: On a point of order, Mr. Chairman, if I may: An opinion of what? Is he going to tell us whether he likes it or is he going to tell us simply that there is a legal problem as a result of this motion?

Mr. Chairman: As to whether there is a legal problem.

Mr. Deans: Then could he address himself simply to whether there is a legal problem as a result of this motion?

Mr. Brown: I don't wish to stand in place with Mr. Poole, because he may very well have a different opinion than I do, but it seems to me from my reading of the food council act that there is provision thereunder for the type of public inquiry that has been recommended here. There is also provision under one or two other acts for similar types of public inquiries.

The possible conflict—and I say “possible,” because I am not guaranteeing you there is one, but from my glancing at the three statutes in particular, you already have the machinery under the food council act for the conduct of an inquiry of the nature you are suggesting.

As I understood the minister's position—I may be wrong and stand to be corrected—

there was suggested to be a committee which would undertake to investigate or study or inquire, as the case may be, and then report to one or other of the chairman or the minister himself—and, I take it, ultimately to the minister himself—its recommendations based on certain findings.

At that time, the food council act, or one of the other two statutes, the Farm Product Marketing Act, provides for the creation of this inquiry. There's no need to specifically set forth the fact that an inquiry be formed under the Public Inquiries Act.

Mr. Deans: Mr. Chairman, on a point of order: We are not really asking whether it would be possible to do this under any other act. We are asking whether the action that we are proposing to take is in direct conflict with anything that is already in legislation and, if so, what?

Mr. Brown: First of all, you are duplicating a function—

Mr. Deans: That doesn't matter. I don't care about that. I want to know whether or not it's in conflict with any act that is already in place which would deny us the right to do what we are doing.

Mr. Brown: With respect, I'm not going to, and I don't think I'm in a position to, take a firm stand and say “Yes, you are” or “No, you're not.” If there is anybody here who is let him come forth. I'm suggesting to you without looking at it and without even having considered it, there is on the surface, in an event, a system set up under legislation which deals with this type of inquiry. Whether there is or there isn't conflict, I can't tell you one way. But I draw to your attention that a system is already there. If you feel it's proper to go ahead without even giving it any reflection, fine; I can only draw to your attention what is there.

It seems to me, however, that at the very least you have the duplication. Whether you're going to take away by this amendment a legislative function of the Ontario Food Council or the Ontario Farm Product Marketing Board remains open. You may very well be giving to a committee a function which is already that of another entity, therefore, it seems to me—

Mr. Swart: Can I just phrase this another way? Is this type of inquiry permitted under the Public Inquiries Act?

Mr. Deans: Of course it is. That's not a question.

Mr. S. Smith: Surely you know a public inquiry is permitted under the Public Inquiries Act.

Mr. Brown: I take it you can inquire into anything you want.

Mr. S. Smith: Exactly. That's right. Good. Here's a good legal opinion.

Mr. Eaton: Can the same thing be done under the food council act?

Mr. S. Smith: No, no.

Mr. Eaton: I didn't ask you. I asked the legal people for their opinion.

Mr. Brown: Not with these terms of reference.

Mr. Smith has the act in front of him, I understand. But, as far as I can see, the food council has the authority to conduct an inquiry similar to that, or in the same terms as could be specifically set up under the Public Inquiries Act. Thereby, in conducting the inquiry, they would determine certain terms of reference and they would have to act within those terms of reference. If they wish to expand them, the Public Inquiries Act provides for that.

The food council, in conducting its inquiry under the Public Inquiries Act, would be in the same position as if there were no food council and you decided at this stage to recommend a public inquiry if there were no machinery set up. They're both in the same position.

Mr. S. Smith: With respect, there's a difference. May I outline the difference?

Mr. Eaton: Here come's the expert.

Mr. S. Smith: You're correct, Mr. Eaton.

Mr. Eaton: Only you think that. You've got a swelled head.

Mr. S. Smith: Section 6(1), which is what the legal individual is referring to, reads: "The food council shall conduct such investigations as the Lieutenant Governor in Council approves into matters relating to the producing, distributing, processing and handling of agricultural products or agricultural food products."

Section 6(2) reads: "For the purposes of carrying out an investigation under subsection 1, the chairman or vice-chairman has all the powers that may be conferred upon a commissioner under the Public Inquiries Act."

That is what the lawyer is referring to. I draw to your attention what this means. It means that if a subcommittee of the food council were set up to carry out the investigation, it would have the powers of the Public Inquiries Act, provided, of course, that the Lieutenant Governor in Council appointed the committee; we presume that's what the cabinet would do.

However, it would be part of the food council. It would be under the auspices of

the food council. It could be directed in certain respects, possibly as to its funding, as to the direction of its investigations, as to the nature of the questions it might ask and otherwise, by the food council.

We have already determined here that we do not believe the food council is the appropriate body to make these determining points, as there are a number of people on the food council who could conceivably have conflicts of interest. We do not believe the food council ought to be conducting the inquiry.

Furthermore, section 6(1) refers to "the producing, distributing, processing and handling . . ." Whether that would necessarily include all the practices listed in Mr. MacDonald's motion, I'm not at all sure. I'm not at all sure where rebates might fit in that; similarly, financing and a number of other things which were suggested in Mr. MacDonald's motion.

Furthermore, they speak of agricultural products or agricultural food products and in my view that should be more clearly defined. All I am saying is that, of course, the legal opinion that it is possible to have some kind of inquiry and to confer certain powers upon the inquiry under the food council act is correct. I have just read it to you.

On the other hand, if one does not wish the food council calling the shots, if one wishes for a broad committee including all the practices that Mr. MacDonald's motion refers to, and one wishes the definitions referred to and the membership referred to in Mr. MacDonald's motion, clearly the most expeditious and reasonable way to proceed is by the Public Inquiries Act which is as simple to implement as the food council act. The fact that the food council could, if the cabinet wishes, also conduct a similar investigation, or roughly similar investigation, is of no concern at all.

Obviously Mr. MacDonald's motion has, therefore, the spirit of what the minister intended, but it is clearly our desire not to have the food council do it.

Mr. Chairman: We are running out of time, I must remind the members of the committee.

Hon. W. Newman: Mr. Chairman, I would just like to say that if you listened to my comments before, under the Public Inquiries Act it would be a proper public inquiry. You say people could come forward in confidentiality. Mr. Poole has already said this morning that some people were reluctant to talk to him. The words "public inquiry" to

a lot of people out there are very disconcerting.

An hon. member: You're not going to bring that up, Bill?

Mr. S. Smith: It's called the Food Industry Trade Practices Commission, that's what it's called.

Hon. W. Newman: Will you just listen for a minute? You don't want to listen to anyone else.

Mr. Eaton: He's just ignorant.

Mr. Hennessy: Is there only one man here; can't somebody else have a word in? I know the agricultural critic is speaking well, but—

Mr. Chairman: Go ahead, Mr. Minister.

Hon. W. Newman: I am just pointing out that we have some 70 studies going on in BC which will be completed by this fall. It is relevant. You want to go into a full public inquiry at this point in time, which could cost I don't know how much money.

Mr. S. Smith: You said you had a different membership in mind. You wanted a public inquiry with a different membership.

Hon. W. Newman: No, I did not say that. You weren't even listening.

Mr. S. Smith: You don't want a public inquiry?

Hon. W. Newman: I am saying, at this point in time—

Mr. S. Smith: By the food council with all the powers of a public inquiry, that's what you and the lawyer just said.

Hon. W. Newman: I did not say that.

Mr. MacDonald: The minister's contentions that they are going to duplicate what was done in BC is covered by section c that "study" be substituted for "investigate" on item four on page 16. That is, you take a look at what has happened in BC, you study what has happened in BC; you don't duplicate what has happened in BC.

Hon. W. Newman: If you set up an inquiry now, you certainly do duplicate what is being done.

Mr. MacDonald: No.

Mr. S. Smith: You just wanted Shand and Piott; what did you want them to do?

Mr. Chairman: The minister has the floor. Please let's have a little order here.

Mr. S. Smith: He may have the floor but he doesn't have logic.

Hon. W. Newman: That's your opinion.

Mr. S. Smith: What did you want Poole, Piott and Shand to do, if not inquire?

Hon. W. Newman: They would have the powers of a committee to call people before them and talk to them.

Mr. S. Smith: Or inquire?

Mr. Eaton: Why don't you keep your mouth shut instead of being so rude all the time?

Mr. S. Smith: Don't talk nonsense.

Hon. W. Newman: You don't want to give anybody else a chance to talk. You have monopolized the whole damn committee—I'm sorry, I withdraw that word. You don't want anybody else to have anything to say except what you want to say. You are being very difficult this morning. Maybe you had a bad night last night, but you don't want to listen to anybody else.

Mr. S. Smith: I would like to answer that point if I might.

Mr. Lane: I want to raise a point of privilege. I was on the speakers list. I didn't get on, and that's fine, it's no problem. This morning in an earlier exchange, Mr. Smith indicated that I wouldn't understand. I assume he was giving me a professional opinion. I just wanted to put on the record that I was born on a farm, I operated my own farm for 30 years—

Mr. Deans: Oh, for heaven's sake.

Mr. Lane: Just a minute, sir, just a minute. I have been here for a lot more years than you have. If I am deteriorating so much that you can tell from across the table that I don't understand, I shouldn't be working so hard. I should be back in the hospital some place. You're an instant expert.

Mr. Chairman: We have Mr. MacDonald's motion before the members of the committee. Those in favour of Mr. MacDonald's motion, please signify. Those against?

Motion agreed to.

Mr. Chairman: Gentlemen, the last item we have here on our list is the Ministry of Agriculture and Food estimates.

Mr. MacDonald moves the adoption of all remaining items in the Agriculture and Food estimates and that we report back to the House.

Hon. W. Newman: Mr. Chairman, on a point of order, that's fine, but I think we should also have a motion by this committee that we agreed on the amount of time that was spent on the inquiry, because in order to sort the books out upstairs for the clerk, there should be a motion that half of the time spent

in the inquiry be charged towards the estimates.

Mr. MacDonald: Well, it is if we report—

Hon. W. Newman: Okay, fine, but it has to be done.

Mr. Nixon: I would say that certainly we agree that half of the time is charged against the Agriculture and Food estimates.

Motion agreed to.

The committee adjourned at 1 p.m.

SPEAKERS IN THIS ISSUE

Beans, I. (Wentworth NDP)

Baton, R. G. (Middlesex PC)

Bavrot, E.; Chairman (Timiskaming PC)

Bennessy, M. (Fort William PC)

Bane, J. (Algoma-Manitoulin PC)

MacDonald, D. C. (York South NDP)

McGuigan, J. (Kent-Elgin L)

Newman, Hon. W.; Minister of Agriculture and Food (Durham-York PC)

Nixon, R. F. (Brant-Oxford-Norfolk L)

Bope, A. (Cochrane South PC)

Biddell, J. K. (Huron-Middlesex L)

Smith, S.; Leader of the Opposition (Hamilton West L)

Swart, M. (Welland-Thorold NDP)

Witness:

Genard, R. J., Corporate Product Manager, Dominion Stores Limited

Assisting the Committee:

Bole, W. R., Counsel for the Committee

from the Ministry of the Attorney General:

Brown, D., Crown Counsel

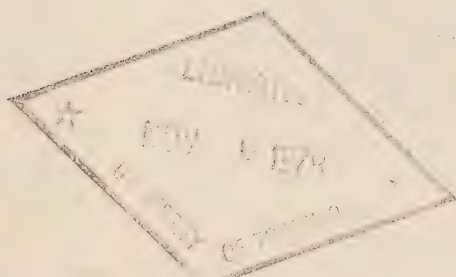


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Energy



Second Session, 31st Parliament

Tuesday, October 24, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, OCTOBER 24, 1978

The committee met at 8.15 p.m.

ESTIMATES, MINISTRY OF ENERGY

Mr. Acting Chairman (Mr. Turner): I am told there is agreement among all parties to meet with Hydro at 10 o'clock tomorrow morning.

Mr. Wildman: You have to be very careful in agreements with all parties.

Mr. Acting Chairman (Mr. Turner): After this afternoon, yes.

Mr. di Santo: You will have no trouble.

Mr. MacDonald: It doesn't matter, they're not listening over there. Go ahead.

Mr. Deans: That's how they get on with their meetings. They pretend they didn't hear.

Mr. Acting Chairman (Mr. Turner): Well, let's just make sure.

Mr. Deans: Well look, if it's that funny, for goodness' sake tell all of us.

Mr. J. Reed: Excuse me, I thought we were waiting for another chairman.

Mr. Acting Chairman (Mr. Turner): What I was saying is, I am told there is agreement with all parties to meet at 10 o'clock tomorrow morning with representatives from Hydro. Right? And now our regular chairman has come so I shall vacate the seat.

Mr. Acting Chairman (Mr. Hennessy): You're going to be my manager, because you strike a good deal. Ladies and gentlemen, I honestly don't think I am vice-chairman of this committee.

Mr. Turner: You were just told you were.

Mr. Acting Chairman (Mr. Hennessy): Well, I don't mind chairing, as long as you understand—

Mr. J. Reed: That's what it says. It's in the book.

Mr. Acting Chairman (Mr. Hennessy): Did they change it again?

Mr. Bolan: Are you changing party again?

Mr. Acting Chairman (Mr. Hennessy): I'll go to both parties and make you both happy. How's that?

Mr. Bolan: You won't make us happy. Go to the other guys, Mickey. They need you more than we do.

Mr. Acting Chairman (Mr. Hennessy): Ladies and gentlemen, may we commence the meeting? Mr. Minister?

Hon. Mr. Auld: As you all know, I've only been minister about two months, but during that time I've become familiar with the wide range of issues facing the ministry. I don't pretend to have all the answers to the issues you will no doubt wish to raise during these proceedings. Not very many of them stay static. Many change from day to day. In addition, few invite pat answers or easy resolution. My hope is that as we review the ministry's estimates together we'll come to appreciate the approach being taken on energy and perhaps collectively investigate new approaches that might better serve the more than eight million people that we represent.

I think we'd all agree that energy today offers us both an enormous challenge and, at the same time, an enormous opportunity. Indeed, in coming to this new portfolio, I found it useful to review the very significant changes which have taken place in the ministry since it was established in July 1973.

You will recall that it was just prior to the 1973 foreign crude oil embargo. In 1972, the government recognized that significant changes with respect to energy could be anticipated and, as a province which imports roughly 80 per cent of its energy from beyond our provincial boundaries, we knew we had to make certain that we were not left vulnerable.

Soon after legislation establishing the Ministry of Energy was proclaimed, we began developing a provincial energy policy designed to ensure that Ontario consumers receive an adequate and secure supply of energy at reasonable prices and with an acceptable environmental impact.

Naturally enough, in those early years the ministry concentrated primarily on crude oil and natural gas matters, because that is where most of the action was taking place nationally. In those early years, the ministry participated at federal-provincial crude oil and natural gas pricing conferences and intervened at energy regulatory hearings throughout Canada which would affect Ontario's energy supply and prices. We also set up the

Ontario Energy Corporation and, through it, invested in the Polar Gas and Syncrude projects as a means of augmenting our future energy supplies.

In more recent years, the ministry's complexion has changed with the changing perspective of the Canadian energy scene. As the events of the oil embargo fade further into the past, and as new Canadian oil and gas discoveries—partially a happy consequence of the oil price increases which followed that embargo—come on stream, the ministry's priorities are increasingly directed towards energy conservation and renewable energy development.

In late 1976, the government announced its energy conservation policy. This was a precursor to a more fundamental change in policy emphasis which was clearly set out in the ministry's publication Ontario's Energy Future, released in April 1977. That report defined the energy situation in terms of a short-term and long-term framework and said that we must begin immediately to enter into a transitional period as we prepare for that period when we can no longer depend on non-renewable resources.

During the space of five years, the ministry has become more than the policy ministry it was set up to be. It has evolved because conditions required it to evolve. It is still small by some standards. Its essential character and quality lies in its ability to persuade others to give greater priority to energy matters.

In fact, when you look at the government's efforts in energy, it is deceptive and misleading to look just at this ministry. Other ministries are involved in energy projects in a major way. This is as it should be, and that is why a great deal of my ministry's effort is directed towards that end.

With those comments by way of introduction, I'd like now to turn to the ministry's programs and draw your attention to some of the highlights as I see them.

First of all, in the electrical field a great deal of the ministry's time is absorbed in matters relating to Ontario Hydro. These days it seems Hydro has become a whipping boy. Some of this criticism is deserved and intended to be constructive. Other criticism is less deserved.

From my perspective, when we talk about Hydro, it is important to keep in mind at least two things: While Hydro may be criticized by some in this province, it is considered in other jurisdictions to be an outstanding organization. We are envied by others for this truly remarkable organization. It is very easy to isolate and criticize one aspect of Hydro's

operations and to lose sight of the highly complex factors which make up Ontario's total electrical program.

I am no apologist for Ontario Hydro. I, too, can think of a number of areas where I would prefer, in retrospect, that the corporation had followed some other course of action than the one they have pursued. I'm sure all of all can cite similar examples. But I really feel that, too often, we get so caught up in the specifics of an issue, or in the cost figures of one particular column, that we forget to look at the all-important bottom line: that we have electrical energy supplied to our consumers when needed and at affordable rates. I am pleased to say that Hydro can match the bottom line of most power utilities anywhere in North America.

Let me just cite a few examples to illustrate my point: A recent survey of electrical residential power rates throughout North America shows that Ontario has among the lowest rates. In fact, Toronto's rate of \$26 per 1,000 kilowatt hours for a monthly residential electric bill was less than one third of the \$82 per 1,000 kilowatt hours paid by a New York City counterpart. That was in July.

Similarly, residents of Charlottetown were paying more than twice the Toronto rate, or \$55 per 1,000 kilowatts, Boston residents paid \$49 for the same electrical use, compared to \$40 in Halifax, \$45 in Los Angeles, \$43 in Washington, DC, and \$33 in Vancouver.

As a matter of fact, of the major centres surveyed, only Montreal—at \$22 per 1,000 kilowatts—was cheaper than Toronto. Hydro Quebec, I might add, has just recently announced major power rate increases in the double digits for each of the next three years.

As I said a moment ago, I think we sometimes lose sight of the fact that Ontario Hydro offers us very reasonable electrical power rates, and is recognized as one of the finest utilities of its type anywhere in the world.

In any event, I understand that as we review my ministry's estimates tomorrow morning and again on Thursday evening I will have with me senior executives from Hydro who will be able to answer any questions you may have about that organization.

During the past year a number of significant policies in the electrical energy field have been adopted or have been under constant review. One of the important new initiatives, announced by Hydro on August 1, is that a formal assessment is being made of 17 potential new hydraulic generating sites in the province—an initiative which the government endorses fully and has active

encouraged. Although most of the water-generated electricity potential in Ontario has been tapped already, the ministry feels it is important to develop as many of the remaining sites as is practical.

Another significant development was the February 1978 revision by Ontario Hydro of its long-range growth forecast for 1978 and beyond. The Hydro Board revised its previously forecast level of 6.5 per cent annual growth down to a 5.5 per cent annual rate until 1987, and further declining to 4.5 per cent after 1987 to the turn of the century.

This has, to date, affected Hydro's generation expansion program through the cancellation of two units of the oil-fired Wesleyville station, and has led to a review of Hydro's committed heavy water plant construction. More recently, it resulted in the planned shutdown of two units at the Lennox generating station and four units at the Richard L. Hearn generating station. A further result is that Ontario Hydro is actively pursuing additional export sales of surplus power.

[8:30]

Hydro also expects to reassess its system expansion program forecast based on the revised load forecast when it has been able to assess the demand based on winter peak conditions. The release of the Porter commission's interim report in September added a new dimension to this question when it suggested that of three growth rates which could be postulated, an electrical growth rate of four per cent would seem to be "most probable", more likely, that is, than two per cent or six per cent.

As you know, Dr. Porter has not made specific recommendations. These he is reserving for his final report next year. In the meantime, the ministry is assessing his commission's findings to date. In general, we have found it to be a most comprehensive and essentially balanced overview of the issues relating to nuclear power. I think the report will provide an excellent starting point for the select committee on hydro affairs when it reconvenes its hearings on nuclear power next January.

During the past year, the government continued its three-year, \$3-million program for expanding electric power to remote communities in Northern Ontario either through local diesel generation or extensions to existing transmission lines. Three additional communities were provided with this service to date this year, Armstrong, Oba and Hillsport, and a fourth, Biscotasing, is to be added later this fall. Negotia-

tions are in progress for line supply at three more communities, Sultan, Kormack and Ramsay, in 1979.

The Ontario Energy Board's public hearings into the principles upon which the cost and price of electricity should be based completed its third phase this year. The fourth phase, which is the consideration of interruptible rates, load management and proposed rate structures and their impact on customers, just began its hearings yesterday. Final argument from interveners will follow Phase IV, with a report from the board expected in early 1979. These are important hearings which will influence greatly the future structure of electrical rates in this province.

In the field of crude oil, monitoring and intervening on questions of crude oil price and supply has continued to be a major task for ministry staff since 1973. In the past two years, the federal government has steadily increased the price of crude oil, and the federal government has recently proposed that the further increase of \$1, which might have occurred on January 1, 1979, be cancelled. The ministry's position on crude oil prices has remained unchanged. It is opposed to increases unrelated to the cost of production and which cannot be shown to ensure further energy supplies for customers.

Ontario has not rejected higher prices simply for the sake of keeping prices down. Rather, we have rejected the concept of automatically increasing prices without regard for the effect on future supply, Canadian consumers and, ultimately, the Canadian economy. Ontario accepts the premise that energy costs will rise as more expensive reserves are tapped, but they need not rise to the extent they have for oil and natural gas already in production. New and more costly supplies should be priced so as to bear a credible relationship to the higher cost of developing them.

The announcement by the federal Minister of Finance on August 24, 1978, effectively moved back the July 1, 1978, increase in respect of motor gasoline by reducing the federal excise tax on motor gasoline by three cents, back to seven cents per gallon. However, nothing was done for heating oil consumers. Also while Ontario certainly supports any moratorium on crude oil price increases, we certainly do not condone the unilateral way it was announced. In fact, it was unfortunate that the federal government has come to realize so late in the game the inflationary effects of their past policies. This province has been issuing warnings of this danger since 1975.

This issue is still unresolved but I anticipate it will be discussed at the federal-provincial energy ministers' meeting next month in Quebec City, and later by the first ministers at their economic conference at the end of November.

Ontario was pleased that during the fall of 1978 the Polar Gas project, in which we are a participant, filed an application to the National Energy Board to construct and operate a natural gas pipeline from the Arctic islands to a point on the TransCanada PipeLines system in Ontario. This project is seen by us as a key factor in ensuring our long-term natural gas supplies, when the reserves in Western Canada are no longer able to meet our needs.

A number of interesting and important events related to coal from Ontario's perspective occurred during 1978 and will continue into next year. Ontario remained the largest Canadian consumer of thermal coal in 1978 with work being initiated or continued on several projects.

In an effort to diversify its sources and obtain low-sulphur coal for blending with US coal, Ontario Hydro has contracted for significant quantities of western Canadian coal to be moved through a new transportation system. Deliveries were initiated in 1978 and are scheduled to reach an annual level of 3.5 million tonnes in 1985. In addition, about one million tonnes of Saskatchewan lignite will be burnt annually at two new generating units at Thunder Bay.

A new rail-to-water transfer and storage terminal at Thunder Bay is the cornerstone of the transportation system developed to move western Canadian coal to the Ontario Hydro system. The cost of establishing this basic infrastructure has been approximately \$350 million, an expenditure that was necessary to reduce the sizeable cost differential between western Canadian and US coal. Even with the transportation system, Western Canadian coal will still be about 30 per cent more expensive than that from the US, after allowing for quality differences.

The ministry has been negotiating an agreement with the federal government on the terms and conditions for nuclear waste disposal and the steps that would lead to the safe establishment of such a permanent storage system.

In the past few weeks we have seen the Syncrude project, in which this province has a five per cent interest, successfully brought on stream. While there have been relatively minor problems involved in the startup of this unique facility, they have been fewer

than what might be expected in a plant of this magnitude and complexity.

You will know too that I announced just over a week ago that while Ontario is not actively seeking a buyer for its five per cent investment in the Syncrude project, we are prepared to consider any reasonable offer made by a serious buyer. We made this announcement to make clear our position in view of the number of inquiries we have received about potential sale. To make certain that any or all potential buyers are treated fairly and that a full evaluation is made of any or all offers, the ministry has set November 15 as a deadline for submission. The Ontario Energy Corporation and the government will then determine whether it is in Ontario's interest to sell at this time.

Concerned over the growing pressure to export an apparent surplus of natural gas, the ministry is taking an active role in the current National Energy Board hearing into supply and demand. With several export applications on file and others pending, the conclusions drawn from this hearing will be crucial to ensuring our future domestic gas supplies. Because Ontario is forced to import from other provinces virtually all of its natural gas requirements, these hearings are of vital interest to us.

Our position in natural gas policies in Canada is fully outlined in our submission to the National Energy Board which was made public in September. I elaborated further on these policies in a speech which I gave yesterday to the Canadian Gas Association's marketing conference here in Toronto.

In June of this year an accord was reached for such a nuclear waste management program. In the agreement, the federal government acknowledges its primary responsibility for the development program, assisted, as appropriate, by Ontario.

I am pleased that the agreement makes it clear that the Ontario government will be fully consulted at each step of the demonstration program. The agreement also reflects the urgent need for an accelerated research and development program into the disposal of radioactive material from Canadian nuclear reactors. Both governments are confident the program will verify that permanent disposal in a deep underground repository in igneous rock is a safe and desirable method of disposal. Ontario further has guaranteed that communities throughout the province that will be affected by this program will be fully consulted.

As I mentioned earlier, there has been a decided and pronounced shift in ministry emphasis since the months which immediately

followed the 1973 foreign oil embargo. Whereas the emphasis then was substantially on providing adequate supplies of conventional fuels, the emphasis today has shifted towards energy conservation, and in providing research and leadership in the demonstration and development of renewable energy resources.

This shift in emphasis to longer-term concerns was reflected in the ministry through large increases in funding for both conservation and renewable energy programs in 1977-78. Further increases in spending to expand these programs took place in 1978-79 and, no doubt, this expansion would have been even greater if it had not been for the government's overall expenditure restraint program. Still, in proportion to other government programs, there was a substantial growth in this area from a combined spending program of \$5.7 million in fiscal 1977-78 on conservation and renewable energy to more than \$7.8 million in 1978-79. The renewable energy budget itself more than doubled in the one-year period from \$1.1 million to more than \$2.4 million.

A complete list of energy conservation and renewable energy projects being co-ordinated by the Ministry of Energy is included with the material provided to committee members. In addition, an outline of many other similar projects being undertaken separately by other ministries and agencies of government is appended to the list.

I don't think it would be appropriate for me to talk about each of these projects individually because, as you can see, there are more than 60 projects in which my ministry itself is directly involved. I would, however, like to highlight a few which illustrate the new emphasis or which mark important new advances during the past year.

In April of this year, the Ministry of Energy launched a program designed to gain commitment from the owners and tenants of major downtown buildings in Toronto to how leadership to the community at large by reducing energy consumption in their buildings. It was emphasized, at a meeting to launch the program on April 4, that these buildings, because of their highly visible place in the skyline, often become a symbol to the community at large for energy conservation. Lights left on at night, as well as use of unnecessary levels of heating or air conditioning in these buildings, create an atmosphere for the public at large to say, "Why should we bother turning out lights? Look what they're wasting downtown."

It was with this in mind that the ministry asked for representatives from each business

group to work with ministry advisers to analyse their energy use levels and locate areas where savings could be achieved. We hope to have a report on the actual savings within six months and look forward to similar programs of savings being voluntarily undertaken in other communities throughout the province.

Another major initiative undertaken by the ministry, and one which similarly has broad implications throughout the province, is the concept of district heating. While district heating, which is the distribution of heat from a central source to many different nearby buildings, is not a new concept, especially in northern Europe, it is one which has not gained wide acceptance in Ontario, or in Canada for that matter, because of the existence heretofore of an abundance of relatively low-cost heat sources. The days of this low-cost, abundant heat energy are clearly numbered, if not gone forever. We, in Canada, must now begin to look at the merits of district heating.

[8:45]

The ministry feels the district heating seminar held in June was a great success in promoting the concept. However, we realize there are still important questions of financing, ownership, codes and standards which must be resolved satisfactorily before district heating can be commonly applied in Ontario. Mindful that such a day will come sooner than many expect, we're pushing ahead with studies this year on several fronts to analyse the potential of district heating, including: redevelopment plans in downtown Sarnia, at Kincardine, for the proposed North Pickering new town community, and in the St. Lawrence downtown redevelopment in Toronto.

The beginning of another major new initiative by the ministry took place in July with the release to municipalities throughout Ontario of the ministry's Guide to Energy Conservation in Public Buildings. This guide was sent to senior elected municipal officials and their administrators in 850 municipalities as an attempt to make them aware of potential savings which might be achieved in their communities through greater practice of conservation. The ministry estimates that more than \$200 million is spent in the public sector alone each year to provide light, heat, cooling, ventilation and mechanical services in public buildings. It is expected that at least 15 per cent reduction can be realized in these areas, for a total net saving to taxpayers in Ontario of more than \$25 million a year.

A further step in this program will be launched later this week when we meet with the Provincial-Municipal Liaison Committee and discuss with them energy conservation in transportation, municipal sewage and a host of other areas involving municipalities.

In a number of other areas ranging from hospitals, jails, and courthouses to colleges, arenas and new residential construction the ministry has attempted to provide important assistance in the energy conservation and renewable energy field. Studies to assist conservation in all of these areas, plus many others as outlined in our list, have been launched in the past year.

In addition, homeowners in Stratford, Brockville and Lindsay received a chance to obtain personal, individual advice on the best ways to prevent heat loss from their homes through home energy audits or thermography projects. The ministry hopes to continue and expand this service to homeowners in many parts of Ontario in the coming months.

There have been a number of renewable energy demonstration projects undertaken by the ministry during the year to help further development of renewable energy resources, especially in the fields of wind power, solar energy, wood waste and biomass.

In solar energy, work continued on school projects designed to demonstrate solar water heating (at West Humber Collegiate in Etobicoke) and water and space heating (at Applewood Public School in St. Catharines). In addition, we hope during this fiscal year to hold official opening ceremonies for the solar-heated 30-unit senior citizens' apartment residence in Aylmer. At Confederation College in Thunder Bay, a solar system is being installed to test its potential in providing hot water for a student residence. We are also testing solar energy to supply hot water to the Oakville-Trafalgar Memorial Hospital in Oakville.

We are, in addition, studying solar applications for community swimming pools, row housing, and for a visitors' centre at the Black Creek Pioneer Village in Metro Toronto.

Besides participation in, and assistance to, a major solar energy conference in London, Ontario this summer, the ministry launched a new public examination on the future role of solar energy in Ontario by releasing a paper, *Perspectives on Access to Solar Energy* on May 3, International Sun Day, to stimulate public comment on the legal aspects of solar rights.

We also published a booklet, *Turn on the Sun*, of which 40,000 copies have been dis-

tributed in less than a year, and we are currently releasing a pamphlet, *Thinking of Solar Energy?* as a further aid to persons considering solar energy use in Ontario.

In the field of wind energy, as you perhaps know, the ministry has launched a unique windmill demonstration project on Toronto Island. The 13-metre-high windmill has been constructed in combination with a diesel generator to determine the economic feasibility of similar installations for remote areas in the north, especially in communities not connected to Ontario Hydro's power grid. It's expected during this fiscal year that modification as a result of tests conducted will be made to the Toronto Island model and an improved version of this windmill be constructed in Sudbury for further tests in a northern Ontario environment.

Wood energy and the derivation of energy potential from other sources of biomass came in for considerable focus by the ministry during the past year. In May, the Advisory Committee on Synthetic Liquid Fuels completed its comprehensive seven-volume report which sets out an evaluation of the potential of the production of synthetic fuels in Ontario from biomass sources.

In short, the committee's well-documented findings were not very enthusiastic for the use of such fuels in the short term. It is only when the price of crude oil and the related comparative cost of natural gas increases to the equivalent of more than \$30 per barrel that these fuels, whether methanol, ethanol or liquid coal, might help alleviate, in an economic sense, any shortage of conventional or even synthetic crude oil supplies which might develop.

The report found that the most energy-efficient means of producing energy from wood and municipal waste is direct burning, not the production of alternative liquid fuels. A major consideration before Ontario or Canada became committed to the use of these fuels would be the difficulties Canadian vehicles could experience in obtaining these fuels when travelling outside the province or country, the report found.

The advisory group recommended however, that research, development and demonstration concerning interfuel substitution, with particular reference to the matching of fuel and application characteristics be supported by the Ontario government in conjunction with industry.

A \$130,000 study into the design and economics of a plant to convert wood waste from lumber mills near the town of Hearst into usable energy was commissioned and jointly funded by the ministries of Energy

Environment, Natural Resources, the former Ministry of Treasury, Economics and Intergovernmental Affairs, the town of Hearst and the Hearst Lumbermen's Association.

An earlier study indicated that such a plant could provide an environmentally acceptable method of disposing of wood wastes from six mills in the area, estimated at 59,000 oven-dried tons a year. At the same time, it could generate steam for local industry.

The Hearst project is unique in that it is a co-operative effort by several companies in the same industry to solve a waste disposal problem common to all. The solution could help meet the energy needs of industry in that community in northwestern Ontario. The final report is currently being evaluated.

As you know, the Ontario Energy Corporation was established in early 1975. The two current investments of the corporation, in Syncrude and in Polar Gas, are good examples of the kind of initiatives taken by the government of Ontario to support important national projects whose success is considered essential to the security of long-term energy supply for Ontario users.

The Ontario Energy Corporation offers the government the opportunity to be instrumental in the implementation and co-ordination of energy supply initiatives and to support the policy creation role. It provides a vehicle through which Ontario can achieve a "seat at the table" when major energy decisions are being taken.

The largest capital investment projects in Canada in the years ahead will be energy related, with no less than five per cent of the gross national product being diverted for this purpose. It is estimated that \$175 billion in 1975 dollars in energy capital investment will be required over the period 1975 to 1990.

Mr. Chairman, that concludes my summary of highlights, and I would just like to confirm with the committee members that, with their consent, all questions related to Hydro issues will be confined either to vote 1, administration, or vote 2, conventional energy. This would eliminate the need for us to detain Hydro and other staff unduly, and it will mean that all members of the committee will have an opportunity to discuss Hydro very thoroughly for as much time as the committee requires.

It would be appreciated too, if the committee so agrees, that all questions for the Ontario Energy Board could be confined to vote 5, regulatory affairs, since, as I indicated, the board is sitting at the moment

and I would hope that we may interrupt its schedule as little as possible.

Mr. Wildman: Mr. Chairman, it's not a question of privilege. I listened intently and with interest to the minister's statement; but did I hear the minister say Hearst is in northwestern Ontario?

Hon. Mr. Auld: Yes, and then I almost caught myself because to me it's either northeast or north-central.

Mr. Wildman: Yes, I know the chairman would be interested in that.

Mr. Acting Chairman (Mr. Hennessy): May I ask, are you in favour of the suggestion put forward by the minister? Okay.

Mr. J. Reed: Mr. Chairman, in the interests of saving time and getting on to the votes, I will try to keep my comments as brief as possible, touching some of the highlights of the minister's opening statement and some of the concepts that we will possibly agree on and perhaps a few we may disagree on.

Firstly, Mr. Minister, I would like to extend a welcome to you in your new portfolio. As I said in the House today, you are the fourth minister that I've had the pleasure of meeting as Minister of Energy since I've been in the—

Mr. Acting Chairman (Mr. Hennessy): You should be in the embalming business.

Mr. J. Reed: Well, I have not expanded into that area. But I have to make an observation: I can remember addressing your predecessor three times removed and asking him about the priorities of the ministry as they related to conservation and renewable energy. I see the opening statement at the beginning of each set of estimates, as the years go by, getting just a little bit thicker each time as they relate to conservation and renewable energy. I think it's a tribute, too, to your deputy, who knows full well that if you don't include some of those statements he's going to hear from me, the opposition critic on energy.

Some of the things that are worthy of note, just to show we are going some place: the 17 new hydraulic sites that have been announced by Hydro. It is incredibly interesting to observe what's happening in this area, inasmuch as as recently as a year ago Hydro was saying publicly that there was only one river left to develop in all of Ontario. That was the Albany River, and because of the native peoples' problems it couldn't be developed. But this year they have come around with 17 new sites, not one of which is on the Albany River system. I find that quite en-

couraging. They may well find another 8,000 megawatts of power hydraulically in Ontario, as I said there was and is and will be—at a minimum.

Hon. Mr. Auld: It all depends on the price of oil and gas and coal.

Mr. J. Reed: Yes, it does, and it all depends on the environmental tradeoffs too. Perhaps I could make a comment about that at the outset so you know where I stand: I consider hydraulic power to be the most benign, most reliable electrical energy source that we have in Ontario.

I would like to get on with another very interesting observation and this is the renewed interest in district heating. I can remember over the years as I've sat on Hydro select committees and so on, the thumbs-down approach, the very negative approach there has been to district heating. But I came across this very interesting document, *District Heating in Three Nordic Countries and What Can Ontario Learn*; and it's obvious that Ontario can learn quite a bit. One of the interesting parts of that publication shows that with a certain adaptation of design in nuclear power plants, and certain concepts at the drawing board stage, we can certainly apply district heating and as such double the actual energy efficiency of those power plants. That to me is very significant.

I was also pleased to hear the comment you made on the utilization of municipal wastes. What I would suggest very strongly, Mr. Minister, is that you get in touch with your colleague, the Minister of the Environment (Mr. Parrott), and sit down and work out a means by which the municipalities of Ontario may get into the waste utilization business seriously.

Ontario Hydro has said publicly that it will buy power from anyone. The city of Montreal is right now generating 20 megawatts of power continuously by the burning of municipal waste. There is nothing radical or unusual about that kind of concept. It's something that's been around for 30 years. Surely the Minister of the Environment in 1973 had some designs in mind when he said he would make resource recovery a reality in the province of Ontario.

Hon. Mr. Auld: I remember him saying that.

Mr. J. Reed: Do you remember him saying that? It is now five years hence and resource recovery is about as much a reality as—the least thing I can think of. So I think there's a tremendous opportunity for the Ministry of Energy and the Ministry of the Environment to join forces here, combine their talents and

open up the possibilities of resource recovery to municipalities on a much broader base than it has been offered up to the present time.

I think we've got a great opportunity here; we're missing it but we can go in that direction.

Hon. Mr. Auld: As soon as we can make it work.

Mr. J. Reed: It's working in Montreal. Maybe you'd like to take a trip down and take a look?

Hon. Mr. Auld: Love to.

Mr. J. Reed: If I was sure that you would come up with a positive response, I'd send you down at my own expense.

Hon. Mr. Auld: I'd rather take you with me, Julian.

Mr. J. Reed: I was quite enthusiastic about your willingness to look at new approaches, and I'm serious about that. I think that energy is probably the most important single economic issue. You talked about the investment that was necessary between now and the end of the century, and it is going to be absolutely vital that we do it with new approaches.

I'm sure the deputy knows, and you will know very quickly, that we are relatively vulnerable in Ontario in terms of energy. We import 80 per cent of it from outside the borders of the province. We're also a part of that net importer problem in terms of petroleum. I know you were talking about the Ontario position regarding petroleum; it's very brave to make those statements, but when you're dealing with something over which you have very little or no control it's really very hard to say anything definite or concrete. One should remember that OPEC, for instance, is right now considering going off the American dollar standard for exchange for petroleum and may end up with something like Swiss francs, or, as they say, the basket case that they are referring to. If they do I would challenge the minister as to just how much control he really would have over that eventuality.

It seems to me, as a matter of fact, that part of the weakness of the American dollar, which of course is reflected in our dollar, has been due to the printing of great gobs of American money to pay for imported oil from the Middle East. It's got to say something to the province of Ontario. It's got to say that our one objective then has to be to move toward self sufficiency on as broad a base as possible. I do believe that implicitly.

There was a reference to natural gas. I would only make one comment. I think we should all be very aware that in terms of any finite energy there is no such thing as either a surplus or a deficiency. Any concept of surplus simply means that at a given time there is more ability to supply than there is demand. The converse observation of deficiency would be when there is more demand than there is supply. But in terms of any finite resource there is only so much, and there is only so much after a certain amount of consumption, so there is neither a surplus nor a deficiency.

I think the concept of surplus is a very dangerous concept. I can remember the late Joe Greene in 1969 talking about oil. You'll remember that great federal statement about having enough oil—wasn't it for 900 years or something? As far as the eye could see we could swim in oil. I'm a little concerned that the concept of gas "surplus" that we have at present is, or may be, another creation. So I suggest the minister approach that whole area with the greatest caution.

I'll turn to Ontario Hydro very briefly. I'll mention first the 17 hydraulic sites, because I like hydraulic power. I'd like to ask the minister—and we will find out, I guess, as the Hydro people appear—just how many of these projects have been approved by the board to this point? I really believe not one of those projects has been approved. I would also ask how many of the projects have begun the process of undergoing scrutiny by the Environmental Assessment Act?

Mr. Acting Chairman (Mr. Hennessy): If I may just interrupt. There are about five minutes to go before a vote. Could we adjourn at the present time?

The committee recessed at 9:05 p.m. for a vote in the House and resumed at 9:25 p.m.

On resumption:

Mr. Acting Chairman (Mr. Turner): I see a quorum.

Mr. J. Reed: If I might continue, Mr. Chairman, I have a couple of further comments about Ontario Hydro. There was a mention in your opening statement, Mr. Minister, about waste storage and the confidence that you expressed that a safe permanent means would be found for the ultimate storage of radioactive waste; irradiated fuel, I suppose, and all of those things which still represent the major, single problem that is faced by the nuclear industry. I too am very hopeful that—I hate to use the term—a final solution, but I suppose that's what we're looking for, will be found for these long-lived waste products.

On the select committee we heard a lot of testimony from Atomic Energy of Canada, and Hydro and so on, all expressing confidence about the long-term storage. Today I happened to attend a seminar sponsored by the Canadian Geoscience Council downtown in Toronto, and it was the first time that I heard scientific presentations that told the audience of about 500 people of all of the things we still do not know about the interment of radioactive waste. While we all have hopes and we all have desires that there's going to be some success here, I think we would be very premature to pin all of our future development on that eventuality until we actually reach it.

The scientists at the seminar today brought home that message; that yes, it's possible that we attain success with in-ground storage, but there are many, many things we do not know and we must proceed by discovering those things, learning how to make certain measurements which geoscience does not know how to do yet. We have to know how to do certain kinds of monitoring that we do not know how to do yet. So we've heard the case from AECL and we've heard the case from Hydro, and I've had this privilege of hearing the case from scientists who are not necessarily directly related to the nuclear field, and I think it provides a very healthy balance, as we proceed hopefully into the future.

I want to go on record as saying I certainly support a demonstration storage unit, so that we can undertake this kind of measurement, so that we can undertake this kind of exploration. But let us not at this stage look upon a demonstration unit as a repository which will provide us with the ultimate answer. We have a long way to go.

I'm concerned, Mr. Minister, about the Power Corporation Act as it pertains to Hydro and its relationship to the Ministry of Energy. It's becoming painfully evident, and has over the years, that there is a gap, a chasm between the ministry and the corporation that prevents a direct link. The product of this problem was evidenced when Hydro last year found itself in a position where it would be in a surplus situation—it was in October, a year ago now—discovering that it would indeed be in a surplus position regarding the production of heavy water and that evidence was not conveyed to the Ministry of Energy until the following April.

[9:30]

The response from the chairman of Ontario Hydro to the select committee was that there didn't seem to be any need to convey

that information because, indeed, heavy water would be in surplus and that was good news. We all know that a great deal of money, a great deal of man hours and investment was made on heavy water plant D between October and April. Indeed, it was not until May of this last year that that information was conveyed to Atomic Energy of Canada Limited. The minister had no real official means of doing it until that time.

What I suppose I'm trying to say is that somehow the gap has got to be closed. The public in Ontario, the people of Ontario, expect the Minister of Energy to be accountable and responsible for Ontario Hydro. Whether that is exactly right or not I don't know. Maybe some other mechanism would be more satisfactory, but I don't think so. I think the Minister of Energy should be the man who is publicly accountable, but he can't be accountable with the situation the way it exists now.

I understand that a memorandum of understanding is being prepared between Ontario Hydro and the minister. It's the intention of that memorandum of understanding to try to close the gap. Let me assure the minister that no memorandum of understanding is ever going to close the gap. All it will do is serve the good intentions of the people of the day. Ministers of Energy change, you know, and they go on from one to another.

Mr. Wildman: We've noticed.

Mr. J. Reed: What may be the best intent of the present Minister of Energy—and I have no doubt that this minister has the very highest and best intentions in this regard, as I have no doubt that Ontario Hydro is trying to find ways to improve its intentions or whatever—the fact is that a memorandum really will not take us past that point of intentions. I do believe that in the long term the people of Ontario are not going to be satisfied with a minister who accounts to them with only some of the information, with an incomplete dossier, without all of the facts pertaining to Ontario Hydro being at his disposal.

He can pick and choose what he wants to express to the people of Ontario, and that's his political choice, but the fact is he's operating with one hand tied behind his back at the present time. I would suggest that that be given the most serious consideration.

I'll say one little word about pricing and Hydro rates. The people of Ontario have experienced great increases over recent years. Part of the reason, of course, is the Hydro policy of power at cost. If it costs so much

this year then that cost is passed on this year or the following year and so on. That's the way the utility was set up.

My colleague, Eddie Sargent, the member for Grey-Bruce, introduced a private member's bill last year and reintroduced it again today offering to the people of Ontario, this time through the aegis of the Ontario Energy Board, a concept in pricing popularly known in the United States as lifeline pricing. What this does essentially for the first small block of power, which is an assessed minimum purchase, is provide it at a reduced rate. The loss in revenue is made up in the blocks of purchases further down the line.

I was in Massachusetts this summer and I saw a hydro bill that contained this lifeline block in it. As a matter of fact, the chap who showed it to me didn't even know that he was buying power priced in that situation, because his power is priced in block purchases the way Hydro sells its power here. But, instead of the first block of power being the high block it was simply a special low block and that difference was made up farther down the pike, if you like.

It has been our feeling that this kind of approach would provide two things. First of all, to the person on fixed income, who is generally the modest user, the low-level user of electric power, it provides assurance of a supply. You know that retired people, people on pension and so on make up the bulk of those on fixed incomes. Electric power to them is very essential, it's very convenient, and it's very safe.

While I admit that Ontario Hydro should not be in the business of establishing social largess in that regard as a policy, it seems to me that as a government it is something we can do and it's something we can do to help those people.

I also believe that for people who really want to conserve energy the lifeline concept might also tend to provide something of another incentive to them to reduce their energy consumption.

At the present time, as you know, we've got a regressive system of electric power pricing. There is no real incentive to a consumer of electric power to actually save, other than the increases that take place from year to year and so on. To change that so that the modest consumer would get a break, I think might encourage quite a number of us to become more modest consumers.

Finally, I would like to talk about the area of conservation and renewables just very briefly. The concept of conservation and renewable energy development, to me, is as necessary to Ontario as the air we

breathe. It's a policy that I espoused early in the game and it's a policy that I continue to espouse.

I think that both those elements combined present a lot of positive things for the people of Ontario, not the least of which is the development of an industry in renewable energy. Ontario right now is becoming a land of missed opportunity, in my opinion. The Americans got on the bandwagon first at the end of the Yom Kippur war—which didn't last very long—and they immediately committed money for renewable energy research and development. I had the privilege of going to Winnipeg to attend the Solar Energy Society convention out there in I think it was 1976 to see the first papers being delivered that were the result of that money.

What it has meant—I don't know whether you get a chance to watch much television. I don't either—one of the things that thrilled me the other day was to see one major company advertising a heat pump called a Solar-Mate where there was a solar component on the roof of the house and a heat pump. These things are the direct outgrowth of that kind of research and development. Some of the major companies in the United States have now gone into the solar business. Ontario Hydro said to me two years ago or whenever it was, in the first select committee, that solar energy was unfeasible. I can remember your distant predecessor saying the same thing, referring to Provident House up in King and the money that was spent there. The future is at hand and the future is coming to us whether we like it or not. I would implore your ministry to make sure that Ontario gets its industrial share, its commercial share and its business share.

I'm concerned about the way you disperse your research and development money in this regard. I know that your \$4.4 million budget was reduced to \$2.4 million. Your predecessor two times back announced that just about a year ago. He said in the House one day during a debate that there would be \$4.4 million allocated to R and D. We now have allocated roughly \$2.4 million.

I'm as concerned about government spending as anyone else, but I also believe and understand that if research and development money is applied properly, it can not only recover itself but recover itself many, many times over.

I'm also concerned that the R and D money that's being allocated right now is allocated for internal development and that it's not being allocated to private indi-

viduals. Private entrepreneurship is the basis of invention and development. It has been historically over the years. It seems to me that if there is a worthy project that needs a boost, then that's where the money should go. I don't mean on a continuing basis, but I mean on a selective project basis. I'm concerned that the ministry doesn't seem to be able to do that. Whether it's connected with the act that created the Ministry of Energy or however, if there is an institutional barrier, let's get rid of the institutional barrier. Let's get the money out where it's going to do the most good.

I have one final note on renewables. You did talk about the utilization of the biomass. That's one of the potentials that I'm very keen about and very interested in. The most obvious use of biomass is wood heat. You must be aware that there has been a tremendous increase recently in the sale of wood-burning equipment, some of it of the older style, but a great deal of it new high-efficiency wood-burning equipment. That is very encouraging.

There's one suggestion I would like to make to the ministry. I did suggest this to one of your predecessors through the deputy minister.

Mr. Deans: Come on now, you've got to define him more clearly than that.

Mr. J. Reed: They get confusing after a time, the deputy will remember. It came just after you published that most successful best seller, *Turn on the Sun*, which has now sold 40,000 copies. I suggested to the deputy minister and I think he will remember—that the ministry should develop a complete book on wood heat in order to follow along. I suggested that the sales of it might be just as successful, and that you shouldn't give it away but that you should sell it because people would be willing to buy it.

I am a little concerned right now that the information on wood heat safety is not really being fully understood by people who have actually skipped a generation in terms of burning wood. There are many people who have bought wood stoves who never had a wood fire in their house before. There are certain things like chimneys and standards for chimneys and standards for the wood-burning unit itself that I think are worthy of consideration if it's going to be successful. If through our lack of dissemination of information we precipitate fires, boost insurance rates and do all kinds of nasties regarding the burning of wood, then what we're going to do is have a depressing effect on something that I believe implicitly should be encouraged. With those words, though I guess

I could go along and talk all night about my favourite subject, I'll turn the floor over to you.

[9:45]

Mr. Deans: I was just saying there is something about starting your estimates in the evening that discourages me. By the time I get to this time of night, I haven't got what it takes to get into it; in any event I'll try. It must be a bit awkward for you these days to have one of those politically sensitive ministries after years and years of getting around behind the scenes. I don't know how you're going to cope with this.

Hon. Mr. Auld: I'm getting sunburned.

Mr. Deans: It says something if you can get sunburned because it at least shows that you've recognized there is a sun. That's probably a step in the right direction. Some of your predecessors didn't seem to understand that.

In any event I thought by the thickness of your comments that there's certain progress being made. I could see a certain Coleman touch in it. Cover all bases; what the heck, if you cover them all what can they say to you? I have to be honest. It was good. I have to say to you that just to say it doesn't make it so. It's one of those aggravations of life that you can write it down but it doesn't make it happen.

I don't want to follow the line of Mr. Reed, though I agree substantially with what he said. In fact, I even agree a lot with what you said. It's difficult not to agree; you're such an agreeable soul. I've always had a sense about energy that we didn't really appreciate the sort of emergency nature of the problem.

I don't think we've ever really addressed ourselves to the vital strategic nature of energy. Though it falls into the category of being a sort of vital and strategic matter, it's been dealt with in a very secretive way. I've been particularly aggravated by the statements attributed to, and no doubt made by, many of the people in the field of the production of energy.

I frankly don't know whom to believe anymore. I dealt with Hydro and, God bless them, they certainly do come forward with reams of statistics. I don't want to go into that tonight because we're going to deal with them tomorrow, when I have the pleasure of sitting on the Hydro select committee. I might say it's a committee that's done substantial work. It has addressed itself diligently to a number of very difficult problems. I hope that Hydro will come tomorrow prepared to

talk about their response to some of the issues that have been identified by that committee.

Not exclusively dealing with Hydro but ranging all the way through to the announcements that flow frequently from the petroleum industry, I don't know whether they think we're all stupid or not but I get a sense that somebody ain't telling me the truth when it comes to trying to come to grips with what our potential energy supply is and what is actually being done by them and for us in terms of guaranteeing a supply that will not only meet our immediate needs but that will meet the needs of people in the future.

First of all, I want to tell you that I fully understand that the province of Ontario does not in itself and by itself have jurisdiction in many of the areas that we would want to address ourselves too. The very fact that we are not self-sufficient in energy makes it extremely difficult for us to develop what might be considered to be an adequate energy policy because we are so reliant on other sources of the energy that we need. That's only true of course if we spend so much of our time and so much of our effort speaking about the more conventional sources of energy. But I think there are available to us a number of sources of energy which many people categorize as being new technologies which are no longer new.

I read in your statement with some interest, and the supporting background material of the pilot projects that are under way, and I begin to wonder as I read at what point we stop dealing in pilot projects of some magnificent size and scope and when we start emphasizing the economic advantages that flow from a fairly intensive change in direction in the province.

I think to begin with we have to attempt, difficult though it is, to develop something I would call an integrated energy policy. I think we've got to take a look at the conventional sources of energy and at the less conventional sources, and we have to begin now to develop a policy which speaks to a shifting of reliance on the conventional sources to the less conventional sources over a set period of time.

Even in saying that, I recognize there are problems in the matter of the development of an integrated policy. Immediately one thinks then about the need to integrate our policy with other provincial jurisdictions and with the federal government. But that doesn't mean we need to have a federal energy policy per se. It means we have to have a policy which takes into account the legitimate aspirations and needs of each of the provinces and that we then integrate those things into

a overall policy which will allow us to take advantage of the indigenous resources while at the same time exploiting the new resources. They are not new resources, only new in the sense of being recently developed resources that are available to us.

I think Ontario should not be backward about being forward in this regard and should make some concerted effort to promote a policy which speaks directly to Ontario's interest first. It's not that we should ignore the interests of other jurisdictions. We first shall have to identify what our needs are—our needs now and our needs as our economy expands to meet the demand that will be placed upon it, we've got to try to identify that in the very near future.

We've got to speak about it in terms of what kind of energy we are going to use in order to meet those needs. We can't leave it to chance that we will continue to have such reliance on petroleum products, whether it be natural gas or oil. We can't continue to rely on our ability to generate electrical power and to allow development to take place as if somehow or other we would always be able to produce the electrical power of the petroleum-based products that the economic development that will undoubtedly take place will require.

I think we've got to begin to direct, as government must, and to co-ordinate, as government must, the kind of development we would like to see. That isn't to say we have to have a hand in all of it. I'm talking about the general concepts of what we would like to see happening.

Just as Julian Reed made reference to the disposal of nuclear wastes, for example, I think it would be foolhardy for us to pursue a policy which placed too great a reliance on nuclear power. This isn't the only reason, incidentally, that source of power is no less vulnerable than the sources upon which we have placed our reliance to date. We once thought we had sufficient petroleum-based products to last forever and ever and that we could use it willy-nilly, without any consideration for the future.

We've got to understand the transition that appears to be taking place and the emphasis that is being placed on the use of nuclear power has the very identical pitfalls. None were to exclude all the hazards involved, we would still be faced with the problem at some point of either not being able to produce sufficient fuel to meet our needs, or having to go elsewhere to get it and paying the exorbitant prices. Therefore, I say with some sense of relief that we have found another source is to ignore reality.

Reality is that that source will not be of any more value to us in the long run than the sources we have used. We have to be extremely careful that we don't place too great a reliance on that.

In addition to that consideration, you have to appreciate that when you look at that over and against the extremely high capital cost—capital cost not only in the production of but also in the final disposition of your nuclear generating capacity—when you look at those two things, together with the whole problem of waste and the technological and scientific difficulties that are constantly being brought to our attention, you have got to seriously question whether it makes a lot of sense to devote many billions of dollars in that area when those dollars might be better spent in a number of other areas from which a much longer lasting benefit would flow.

I assume we are striving for energy self-sufficiency; I would hope that's what we are attempting to accomplish, recognizing that energy is in fact the cornerstone of much of the economic activity that has to go on. If we are striving for self-sufficiency because we don't want to be for ever at the mercy of offshore sources, I suggest to you that the dollars you are putting into the use of newer technologies are pitifully few. They do not reflect any sense of immediate or pending crisis, and I think it's vital at this point that they should.

You take what I would choose to call a novelty approach to the use of solar heat or solar water heating or many of the other alternative energy sources. Wind, for example, as you mentioned earlier, you take a novelty approach to that. It's another of these things to which the minister goes to cut the ribbon and to say, "Hey, we're in the forefront." Well, damn it, we're not in the forefront; and that bothers me, because I think we could be in the forefront.

The technology is sufficiently well developed in a number of areas to allow us to be in the forefront. I don't think it's nearly good enough to suggest to downtown Toronto that central heating—or whatever you want to call it—of one kind or another should be looked at as a viable operation when in the city of Hamilton, as an example, we were able to produce steam from the Swaru garbage-burning operation but we couldn't get it into Eastgate Square because we didn't want to compete with the gas company; the gas company was going to be very upset if we competed with them. That just doesn't reflect any sense of the immediate problem that confronts us.

We are in the process, all across the province of developing industrial parks; they're being developed in Toronto. Huge shopping malls are being developed here; they're being developed in many other communities across the province. Yet we simply are not taking advantage of the more cost-saving opportunities that are available to us, and we're not integrating traditional and conventional sources of energy with the newer sources.

In the area I represent, we're about to open up another huge, so-called sanitary landfill site. By God, if there's anything sanitary about it, I've missed it.

Mr. J. Reed: It's appalling.

Mr. Deans: It is not only appalling. When you take a look at it and you realize that simultaneously with that we are about to open a new industrial park, it would seem to me that any government that really understood the problem would not only be saying, "Hey, it wouldn't be a bad idea to have a co-generation program in place"; any government worth its salt would also be going in there and saying, "It is in our best long-term interest to have that happen, and it is not in our best long-term interest to continue to develop this huge sanitary landfill site"—this dump.

[10:00]

What's missing in the ministry is any sense of the immediate problems that confront us; no initiatives are being taken to take advantage more fully of the opportunities placed before us.

I read your statements with regard to the need to conserve. Whatever became of the program for low-interest loans for home insulation? On the one hand the statement reads like, boy, this group of people are really on the ball and they are moving along. Then you stop and look at it and say, "Well, now let's measure it against something," and you try to measure it against promise. You discover it doesn't even live up to its own promise, never mind does it live up to the kinds of expectations that many of us might anticipate. What is wrong with attempting to cut down on the use of energy by conservation rather than proceeding with the many millions, tens of millions, literally billions of dollars we have to spend and waste by producing new power day after day to do things which would not otherwise have to be done if we had a proper conservation program in place?

It would cost you considerably less to pay for all the insulation and to pay to have it installed than it would cost us over a period of time to continue to pump out the energy

being used and wasted. And we would not only be cutting down on the necessity for production but we would also be producing employment. We would be encouraging the development of the new technology that people say is available and I believe is available.

It is not a matter of direct grant to industry to get them to build something. It's not a matter of a direct grant to the scientific community to get them to pursue new and innovative methods. It's a matter of looking at where you can put your money in order to get the maximum benefit in return, in terms of reducing the need for energy while producing new manufacturing and new jobs. I frankly don't think the ministry has pursued that in any real sense of the word. There hasn't been a vigorous pursuit of that as a means of dealing with what we recognize as one of the major problems likely to confront us.

To go back to the co-generation and the use of garbage, I cannot understand and I have never been able to understand why we do not sit down in areas where there is a concentration of industrial development and speak to those industries directly about collaborating with one another in the development of a co-generation program that would be able to provide for much, if not all, of their individual needs. For example, what about the industries ranging along the Hamilton harbour that use more energy than any one could imagine? I am sure those industries could be encouraged to take part in the development of a co-generation program that would enable us to take advantage of the garbage we create, using it either to provide the steam or the electrical power they need for many of the purposes they require. So what I am saying is I frankly don't believe the ministry has pursued the things the talk about. I think you are now beginning to recognize the problems, you are now beginning to speak about them, you write about them 28 pages thick, but when it comes right down to actually doing something about it, I think your efforts are being somewhat wasted; you are wasting a lot of time as you are pretending that the new technology is something which has yet to be tried on and tested, when in fact there are any number of places where it's already in place and where, with a little bit of a push from the government, we could probably see some dramatic changes.

In the matter of Hydro—and as I said I don't want to go into it in detail—I have become a little happier with them over the last short while, simply because I s

some dramatic changes in the way in which they themselves are beginning to approach the need for generation in the province of Ontario.

I see, as Julian has said, in the whole matter of whether or not they are able to utilize hydro power as a means of producing electricity, that they have taken—and I can recall Julian talking about it, I recall Jim talking about it both here in the Legislature and I remember other people talking about it; I can recall a conference we both attended and you spoke about much the same thing.

It is amazing how necessity works well. When Hydro is forced to do something, by God, can it do it. It never ceases to amaze me the way they are able to accommodate when accommodation seems to be the only way. I think that worries me a bit, because it shows that over the years perhaps we have not had a sufficient emphasis placed on trying to find the cheapest means of production of electrical power, that we have taken the newest rather than the cheapest.

I think that Hydro maybe has contributed to the overall debt of the province of Ontario in significant ways as a result of pursuing that kind of policy.

I was particularly interested in your reference to the Porter commission recommendations as they dealt with the six, four and two per cent growth; the fact that Porter came down on four, and the difference between Porter's decision and the decision of Hydro as it is reflected in their own estimates is an expenditure, depending on whose figure you want to use, of something between \$6 billion and \$10 billion between now and the end of this century, which is not long away.

You can just imagine what we could do with the development of the other potential energy sources and in the field of conservation if we were able to put \$6 billion to \$10 billion into it. You can just imagine the amount of saving we would achieve and the benefits that would flow from it.

The only other matter that bothers me is to see this continual push by the industry, particularly in natural gas, to sell us on the idea that somehow or other now that we have a surplus, so-called, it may be a great idea to sell it. Well, somebody somewhere said—and you have no doubt said it; I can recall, I believe, if not you, certainly one of your predecessors said it—that it might not be such a good idea. I have certainly said it often enough and others have said it often enough. I don't think it is a good idea to be selling off that surplus, because

it is not a surplus. It won't go to any harm if it sat there for three or four years. It wouldn't rot. It is not corrosive, it isn't going to disappear. It will still be there. We might need it. If we don't, fine, then we can sell it.

But at the moment, it seems to me the very reason we are paying these outrageous dollars for petroleum based product is because we listened to the industry when they said they didn't have enough and we listened to them when they said we had too much.

I think that you might continue, if you are already doing it—I never can be sure what you are doing—but if you are already doing it you might continue, and if you are not you might start, to pressure your colleagues in other parts of the country to establish an independent appraisal operation in order that we can come to grips with what we, the people of Canada, have in the way of resources, particularly energy resources. They do not belong to Shell Oil and they don't belong to Esso and they don't belong to BP and they don't belong to Union Gas; they belong to us, all of us.

The moment Shell Oil doesn't have a resource to exploit in this country they will up and move and they will have no Canadian subsidiary. Neither will they give a damn about us. That's the pattern, because they're not in the business of producing oil, they're in the business of producing bucks. Oil just happens to be the vehicle that they use to do it at the moment. If it turns out that it's no longer there, they will be in the business of producing bucks using something else as their catalyst.

I think we should make it quite clear that the energy sources of this country are ours, and that we and we alone—I'm talking about us, the people of this country—can make the decisions as to how they will be used, how we will pay for them and to what extent we will allow them to be exploited and whether or not we will ever allow them to be used for the simple purpose of bolstering the coffers of the fairly large multinational oil empires that currently exploit oil in every part of the world.

It's an interesting thing that the companies that hold us to ransom in trying to extract every last cent out of us for our own oil and hold us to ransom in extracting every last cent out of us for the oil from every other part of the world are the same people. They just have different coloured faces but they're the same people nevertheless. They belong to the same conglomerates and they believe in the same things. All they do is that when

they can't get it from us, then they'll get it from somebody else.

In any event, I've said as much as I want to say about it. I think that it is important that you address yourself not just to the accomplishments as you lay them out on paper and the concerns that you express, but I'd like to hear from you what kind of policy you have that speaks to the number—four, five, six, or whatever—of energy sources that we have now identified as being available to us.

What kind of policy do you have for the utilization of these resources? How do you propose to make the transition to those that are indigenous to Canada in order that we no longer find ourselves at the mercy of the exploitation of many people outside of the country? How do you propose to encourage, if not to direct, that self-renewing resources are used rather than non-renewable resources in every area where it is practical and feasible to use them?

I'd like to know from you just exactly what your policy is with regard to the development of solar energy in terms of when we can actually expect to see, not a pilot project for getting hot water in an old folks' home or a pilot project for heating a swimming pool in some community but your efforts in areas where we have impact, such as in new industrial development; in co-generation, using both new and existing industrial development as the base; in the utilization of nuclear power over and against the more conventional electrical power sources, and where you see it as going in that regard and what kind of direction you intend to give; and in conservation.

I would like to know whether or not you intend, as the minister, to revitalize or at least to get on with the program of home insulation and insulation in general across this province; and how you intend to do it, whether you intend to put any money into it or whether you intend simply to produce lots of paper which, if it could be distributed, could be used as insulation all across the province. Whether you see yourself as being more than just simply a small group of people wandering around in the energy world, or whether you think that you might be able to exert a little bit of influence; on the Ministry of the Environment, for example, and get them, if not to wake up to get up and do something; and whether you believe those of us who tell you that it would be to our everlasting benefit to engage in conservation—and not in the sense of just saying "Turn off the light." That's fine, and I thought that "off" commercial with the two little dogs and the

fellow who spoke like Humphrey Bogart—I think it was Humphrey Bogart anyway—was kind of amusing, but it hardly, in itself, could be called a sustaining program of conservation. The very fact that it uses power to say that is a bit much, but nevertheless.

[10:15]

Maybe if you could answer those kinds of questions then I would feel more comfortable about what is going to happen in this province. Because I am going to tell you I don't feel very comfortable about it now. I don't feel very comfortable at all. I don't have any sense that the ministry here, or the ministry in Ottawa, have any real idea where they are going. I don't have any sense that there is a program, an actual goal that has been established and a timetable that speaks to the various components; and an implementation policy that speaks about the use of the many resources that are available to us, and the preservation and conservation of those resources for future needs as those needs arise.

Maybe by the time we get through these estimates I'll go out of here satisfied and happy and whistling, but I doubt it.

Hon. Mr. Auld: Mr. Chairman, I can take a few minutes to reply to some of the point that have been raised by the two critics; and maybe touch briefly on a couple of things that relate to Hydro, but with the idea that we may get a little more detail from Hydro in the morning and talk about district heating and the changes to existing generating plants to get into co-generation if necessary or to use some of the heat which otherwise would be wasted.

If you look at the report, District Heating in the Three Nordic countries, you will not find that different kinds of plants produce different amounts of heat. I am not technically competent to tell you, but there are certain kinds of turbines that will do a lot better job than certain others, and the turbines are a pretty expensive part of a plant, and not all plants can be altered without great expense to produce the maximum amount of heat for other than generating electricity.

Mr. J. Reed: With respect, Mr. Minister, think you know that I said that the design plants not yet designed—could go further.

Hon. Mr. Auld: As I understand it, there are some now designed which do this, but the majority don't.

Mr. J. Reed: Yes. I was referring to those yet to come on stream; ones that have not been created.

Hon. Mr. Auld: The other thing I would just mention—and I refer you to page 47,

haven't gone through the whole thing tonight to pick out these parts—in the district heating situation, as they point out from the experience in Scandinavia—where this has probably been done as much, if not more than any other area in the western world anyway—the critical factors are population densities, town size, and of course the number of people in the towns that are served.”

Just another paragraph: “The Scandinavian experience indicates that there is a definite case for district heating in relatively high density areas, but that its success may be highly site dependent for medium densities, and almost non-existent for extensive low density areas. In Ontario where the latter two density patterns prevail, planners would have to evaluate the economics very carefully.”

Of course, on the question of participation rates, on page 48 it indicates: “The experiences in Sweden show that to make district heating economical, system participation should be at least 70 per cent.”

If I can just depart from that quote, the great difficulty in this country would be along the lines of what I mentioned about waru in Hamilton where they went to look for a place to use the steam, and as I recall something like 60 per cent of the energy produced is used in the process of reducing the garbage into an ash and about 40 per cent is available for sale. Unfortunately, there aren't any customers close enough to get it.

Mr. Deans: My understanding is that the company put up such a fuss that they—

Hon. Mr. Auld: I would suggest to you, then, that if it meant all those customers would have new connections and you had to dig up all the streets, the economics would be pretty difficult. There's a large capital cost. You can supply district heating to an area when it is in its planning stage,—

Mr. Deans: This was in its planning stage.

Hon. Mr. Auld: —then I think it might be economical.

Mr. Deans: We are actually talking about something that was in its planning stage and in the immediate vicinity there were three extremely large Ontario Housing Corporation developments. Since that point continual commercial development and expansion has taken place through the entire area involved. The problem was simply that operations already in the field didn't want the competition.

Hon. Mr. Auld: Perhaps the developers wanted to have something they were sure worked rather than a pilot project. However, let me go back to this quotation: “Danish experience indicates that the size of a mature

connected community tends to be somewhere between 20,000 and 100,000.” And again it is a simple matter of arithmetic. In one Danish town the cost of one gigacalorie of heat delivered to a customer was 275 Danish krone, which is \$55. And that was where there was a participation rate of only 40 per cent. However, when 80 per cent of the town's population was connected, that rate dropped to the equivalent of \$30, almost half as much.

Then there are other problems, transport distances, network size and the type of distribution pipe and we don't have as many small thermal plants stuck around the province and close to large centres of expanding population as the Scandinavian experience. That's partly, I suppose, because they have been at it a lot longer.

Mr. J. Reed: Now you are getting to the nub of the point.

Hon. Mr. Auld: Yes. I am told that is unique for me.

Mr. J. Reed: You are zeroing right in. You are zeroing right in on the very thing; the smaller, more centralized plant that is a cogeneration unit, a combined unit, probably a back pressure type turbine that can supply the district heating and can also supply electric power to the grid.

Hon. Mr. Auld: Well we might bring that up with Hydro, because the economics—

Mr. J. Reed: Oh we have. They will tell us how it cost 10 times more.

Hon. Mr. Auld: Yes, the economics of electrical generation are such that, generally speaking, the larger the operation the lower the cost of the product.

Mr. J. Reed: With respect, Mr. Minister, I think we can establish some differences of opinion then in the next few days.

Hon. Mr. Auld: Let me move on to the environmental operation in the burning of waste. As you said, the Minister of the Environment in 1973 made an announcement about watts from waste because I was he, and I remember that very well. I remember the great visit we had to Kansas City to see the operation down there which had one significant difference. It was an old plant and they weren't really worrying what they did to the boiler. But Hydro was, interested, and the project involved one of the boilers at Lakeview being converted. We had hoped at that time it would be functioning in five years, which would have been last year, but as with all first projects it has been delayed because of problems that were anticipated—and couldn't, I guess, be antici-

pated—but I think it's still going to work.

Metro will be paid for the Btu value of the waste which is now being processed in the Disco plant, where the separation experiments are going on—separation experiments on a working-size plant rather than a pilot, miniature model, because there are a lot of problems that come up when you translate processes from small ones supervised by professional engineers the whole time to large ones where you don't have as fully trained a staff.

Mr. J. Reed: In Montreal, the 20-mega-watt plant built by Dominion Bridge doesn't even separate, it just shoves her in the boiler and burns her up.

Hon. Mr. Auld: I am not aware of that one, I have been out of the field, but I know of some of the ones that were started before, going back to Swaru, which took a long time to get the bugs out of that one.

Mr. Deans: Swaru was a bad example.

Hon. Mr. Auld: It was the first one and I think it's now working well, but it's taken six or seven years to get it to work as well as it's now working.

Mr. Deans: But if you were doing it today you wouldn't follow that model at all, you would go for an entirely different model.

Hon. Mr. Auld: I guess you had to build that one to find out that that wasn't the one.

Mr. Deans: Yes, but I want to suggest to you that the fact that we have it ought not to in any way inhibit you from building a better, newer, more efficient one.

Hon. Mr. Auld: One thing I think it has done is it has reduced the volume of waste that has to be buried by about 80 per cent or 90 per cent. I think that your landfill site that is now I guess about full would have been filled a lot sooner if it was undigested or unburned garbage rather than the ash that it now is handling.

Mr. Deans: I don't want to get involved in a discussion with you about landfill sites in any event, because there's so much to

be said, but you're right in that regard. However, there are other better things to be done; Swaru is not the best example of anything that I have seen. In any event, that clock is five minutes slow.

Hon. Mr. Auld: I'll be very speedy—

Ms. Bryden: Mr. Minister, a supplementary on "watts from waste": I understand the city of Toronto is now asking for additional funds, that the costs are going to be higher than they anticipated and they don't really think that it's to be an economical operation for them.

Hon. Mr. Auld: I'm not sure how they feel about the economical operation aspect, but I understand that the amount of money that they had anticipated to contribute, along with Environment, they have pretty well reached that, if they haven't already and they're concerned about the further cost.

Ms. Bryden: Have you any plans for giving them additional money, and has the federal government also been approached?

Hon. Mr. Auld: I couldn't tell you, because I think the Minister of the Environment (Mr. Parrott) is the one who is the chief operator in this and I haven't had an opportunity to find out; but if the feds are into it it's a change in their attitude from five years ago, although they were given the opportunity at that time.

Ms. Bryden: Shouldn't you and the Minister of the Environment be working on that together?

Hon. Mr. Auld: Not and be here at the same time.

Mr. Acting Chairman (Mr. Turner): Mr. Minister, with respect, I think our time has arrived.

Hon. Mr. Auld: I thought I had three minutes.

Mr. Acting Chairman (Mr. Turner): The clock is slow.

Mr. Deans: We don't want to use any more electrical power than we have to.

The committee adjourned at 10:29 p.m.

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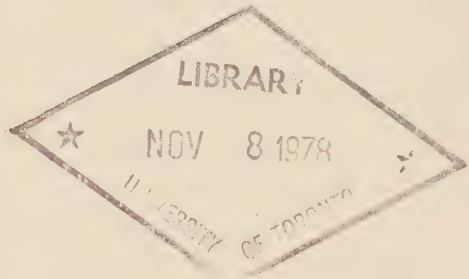


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Energy



Second Session, 31st Parliament

Wednesday, October 25, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, OCTOBER 25, 1978

The committee met at 10:17 a.m.

ESTIMATES, MINISTRY OF ENERGY (continued)

On vote 1901, ministry administration program; item 1, main office:

Mr. Acting Chairman: Okay. You've made your speech. Let's go. Mr. Minister?

Hon. Mr. Auld: Mr. Chairman, one of the things that was mentioned last night, by Julian particularly, was the question of communication between the government and Hydro and between the Minister of Energy and Hydro. The thought was that perhaps there should be amendments to the Power Commission Act, and his feeling was that a memorandum of understanding, in his view, would not solve the problems of communication and so on.

I just want to say that we are in the process of establishing a memorandum of understanding with Hydro as the responsible ministries have established them with pretty well all the agencies, boards and commissions which are involved with government.

My own feeling is that communication with Hydro, by and large, is good. At least I've found it that way in the two months that I have been dealing again with Hydro. I know I found that some years ago when I was Minister of the Environment, and Hydro reported to the House through the Ministry of the Environment.

I suggest that we can postpone a decision or an opinion on this until we have actually produced a memorandum of understanding and all those interested have had an opportunity to look at it. I think a number of matters can be solved with a clearer understanding on both sides of what is expected and how.

I simply mention that this morning because Hydro is here. We have agreed that we will deal with all the matters having to do with Hydro that might come up under the various votes. That was one thing we mentioned last night.

In case anybody doesn't know them, particularly Ian, I should introduce the members of Hydro who are here today. The chairman, Mr. Robert Taylor; the president, Mr. Doug—Doug Gordon.

Mr. Deans: What do you mean? Maybe you have difficulty.

Hon. Mr. Auld: I have a hangup about Doug—not this Doug, but a Doug who is not named Gordon—and I sometimes get the wrong last name if I don't think.

We also have Tom Reynolds and Bill Morison of Hydro, along with Ken McClymont and Martin Pask, who is the property man. You might say what each one does, if you need to, Mr. Taylor, so that everybody will know. I was anxious that there would be somebody here about property, because that's the question that also often comes up about Hydro in their settlements and so on.

Mr. R. B. Taylor: Bill Morison is director of design and development. Tom Reynolds is director of route and site selection. That's Tom on the right, and behind is Ken McClymont, who assists in planning, and Martin Pask, director of property.

Mr. Acting Chairman: I would ask for some guidance from the committee in regard to how we are going to allocate time. Do you want to deal with each one rather than decide to change the rules after the meeting starts?

Mr. Deans: I have no objections to Julian having one fifth of the time.

Mr. Acting Chairman: And any other members that do come? Or do you just want to put your hands up—

Mr. Deans: We'll be fine. Just leave it.

Mr. Acting Chairman: Are there any questions? No? Then the meeting is adjourned. Go ahead, Ms. Gigantes.

Ms. Gigantes: I would like to begin by asking for an account that has been asked for in the Hydro select committee. If it's available now, it would be interesting to have it. What's happening with the rate structure study—where it's at, when it is going to produce results, what it's telling us—and with the study that Hydro has been doing on load management?

Mr. R. B. Taylor: Mr. Chairman, is it all right if I pass these questions to the person who is best able to answer them, or that Doug will? I think it will save a lot of time and maybe save me a lot of worry.

Mr. Acting Chairman: Yes, that will be much better. Go ahead and delegate whom-ever is closest.

Mr. Gordon: The costing and pricing study, as you know, has been going on for some time, and they're back at it again. It's a very elaborate study, as you know, Ms. Gigantes, dealing with basic principles; in particular, the principle that is of interest to everybody is the question of marginal costing. From our point of view, about all we can say is that it is taking a lot of time. It will, we think, come up with answers and advice for us on the principles of costing power, and we'll just have to let it run its course.

Ms. Gigantes: Can you give us any indication of the kinds of information that you're getting?

Mr. Gordon: I think the main issue that they're concentrating on is this question of marginal costing, on which people have a wide range of views. The theorists feel that this is a very positive move in order to assist in the conservation efforts, and indeed the Hydro study team that prepared the report also supported this view.

The Hydro board itself, when it considered the report, said, "Let's put it before the public and get their advice before we arrive at any decision."

Ms. Gigantes: What's the name of the Hydro report that was placed before the study team?

Mr. Gordon: It's the costing and pricing report.

Ms. Gigantes: And the date on that?

Mr. Gordon: I'm sorry, I haven't got the date on it. There are 10 volumes.

Mr. R. B. Taylor: It was 1976. I think it was submitted to the Ontario Energy Board in early 1977.

Ms. Gigantes: So we're essentially in the dark about what's happening there. What is the time frame in which you expect some conclusions of that study and then what will happen? What's the time frame? Suppose we were to move to some kind of dramatic change in the costing and pricing of hydro-electric power in Ontario. What would be your time frame for seeing that?

Mr. R. B. Taylor: When the report appears it will have to be studied by Hydro and by the government. The government will want to consider some of the parameters, I think. Then it takes us quite a while to get ready to institute any change in pricing. We're now getting towards the end of 1978. I doubt if there would be any input possible, or very little if any signi-

ficant change for 1980 rates; it would be more likely for 1981 rates, which we will be preparing for a year from now.

Ms. Gigantes: When do you expect the initial report of the study group?

Mr. R. B. Taylor: The study group for what? Is that for the load?

Ms. Gigantes: Cost-pricing.

Mr. R. B. Taylor: The cost and pricing I don't know what you mean by "study group," Ms. Gigantes. The OEB report, you mean?

Ms. Gigantes: Is it the OEB that's doing the cost-pricing study? I'm confused as to who is doing what study. I'm sorry.

Mr. R. B. Taylor: Yes, it's the OEB that has it. I understand it's late this year or early next year.

Ms. Gigantes: Where are we at now with load management?

Mr. R. B. Taylor: I think there are two load management studies going on now, one in Scarborough and one in Oshawa. Is that not right, Mr. Gordon?

Mr. Gordon: Yes, that's right.

Mr. R. B. Taylor: I can't tell you. Do you know when we expect those studies?

Mr. Gordon: I expect they would be a least a year. They are fairly long studies.

Ms. Gigantes: Can you tell us what they're doing?

Mr. Gordon: This is the testing of equipment on the control of certain loads.

Ms. Gigantes: Which loads are they?

Mr. Gordon: Loads such as water heating loads, that type of thing, taking them off the system at a certain time.

Ms. Gigantes: I wonder if we could ask for a bit more detail on exactly what's going on in those studies.

Mr. R. B. Taylor: You'd like to know, if I may put it this way, the terms of reference under which the groups are working?

Ms. Gigantes: Not only that, but exactly what they're doing.

Mr. R. B. Taylor: How they intend to go about satisfying those terms of reference?

Ms. Gigantes: Yes. Have they begun?

Mr. R. B. Taylor: I believe so, yes.

Ms. Gigantes: It would be interesting to know what they're doing and where they are at, how long it will take them to come up with the results they'll be bringing to Hydro.

Mr. R. B. Taylor: I don't think we can say what the results are going to be but

ve could give you an outline of the terms of reference in a general way, what areas they're investigating, and how they are supposed to go about those. Would that be satisfactory?

Ms. Gigantes: Yes, and also when they're supposed to bring some kind of results forward.

Mr. R. B. Taylor: Yes, surely.

Mr. Gordon: It appears they will be in full operation in 1979 on the field trials and they will be completed by 1981. It's a fairly costly project. It's \$2½ million.

Ms. Gigantes: This is another area in which I'm trying to feel my way. When we had discussions at the Hydro select committee with the former Minister of Energy and also with the former Treasurer, there was discussion about the possibility of Hydro using excess plants and facilities to produce electric power to be exported on a firm contract basis. May I ask whether there has been any study done by Hydro, or any that you know of done by any other arm of government, either in Energy or in TEIGA, Treasury Board, to indicate what the benefits to Ontario would be?

Mr. R. B. Taylor: If I may respond, Mr. Minister, I don't know of any study directed especially at that, but any study and consultations concerning the export of firm power would, of course, take those things into consideration. As you know, a year or two ago we did a rather hurried-up but quite exhaustive study of the possibilities. There do seem to be some possibilities.

Ms. Gigantes: Do you have a report within Hydro on that?

[12:30]

Mr. R. B. Taylor: I don't think there's an explicit report. There are just reports coming. Were they consolidated, Doug, into one report, the reports that came back from the various areas of the States?

Mr. Gordon: We can certainly put one together, but we have canvassed all the major utilities with whom we have interconnections—this was for the sale of firm power, incidentally, rather than interruptible or secondary energy which we're selling every day in the week as the opportunities arise. No firm agreements have been concluded, but the discussions are continuing and we're rather optimistic that we'll be able to tie up a firm contract with one or more utilities.

Ms. Gigantes: There must be a fair amount of documentation within Hydro concerning these possibilities—memos and stuff.

Mr. R. B. Taylor: We can see what there is and let you have that.

Ms. Gigantes: I'd be very interested to have a look at that.

Mr. R. B. Taylor: Sure.

Ms. Gigantes: In somewhat the same context, has Ontario Hydro ever interested itself in trying to analyse what the benefits to Ontario would be of Candu sales abroad?

Mr. R. B. Taylor: Candu sales abroad?

Ms. Gigantes: Yes.

Mr. R. B. Taylor: I think that's more the province of AECL. As I've said, I think, in several places, the starting point in Hydro's interest is that as a satisfied customer we would be very glad to help out in that way. It could be, for instance, that some of the purchasers of Candu would like some advice and perhaps in the initial stages even some visits by Ontario Hydro people to help out in the incipient stage of development.

Ms. Gigantes: I would like to draw to the minister's attention the fact that during the discussions on the building of heavy water plant D at Bruce, there was a good deal of discussion before the Hydro select committee which seemed to imply that benefits would necessarily flow to Ontario from foreign sales of Candu. It seems to me that before we take that as a given here in Ontario we'd better look at it to see exactly what the benefits might be.

Hon. Mr. Auld: I believe that Industry and Tourism has done some work in that field, and is undertaking a major study under review this fall. Ontario being a major manufacturing province in the country, a good deal of the components of any plant would be manufactured here, not just heavy water but generators perhaps—a lot of the mechanical portions.

Malcolm just showed me—this is from the Canadian Nuclear Association—a study that was done by Leonard and Partners Limited and is dated August 1978, which indicates, among other things, "The nuclear power program not only provides a substantial number of direct jobs but those jobs require a high level of expertise and therefore provide satisfying opportunities for the skilled work force."

Ms. Gigantes: That's domestically, eh?

Hon. Mr. Auld: They say, "The estimated provincial distribution of direct employment in 1977 was as follows: the Atlantic region, 6.4 per cent; Quebec, 13.6—"

Ms. Gigantes: But that has to do with our domestic program, if you'll excuse me.

Hon. Mr. Auld: —Ontario, 76.5; and the western region, 0.3.

Ms. Gigantes: That has to do with the domestic Candu program.

Hon. Mr. Auld: Yes.

Ms. Gigantes: I'm talking about—

Hon. Mr. Auld: We get into the high Canadian content of Candu nuclear power stations and heavy water plants.

Ms. Gigantes: Domestically, I'm talking about the export market.

Hon. Mr. Auld: It doesn't make any difference, as I understand it.

Ms. Gigantes: I think it would. If you're going to sell to Korea perhaps or to a Third World country, then you can imagine that we would be manufacturing a lot of the components. But if you're going to sell to Romania or Japan, I would think that countries like that would be interested in having the components produced in those countries. I'm wondering—

Hon. Mr. Auld: The information we have had is that in the Romanian one the first two plants would be virtually the same as Canadian ones which would have Canadian content ranging between 69 and 75 per cent. At this stage in the negotiations they are looking down the line at a diminishing Canadian content and a licensing agreement. But we have no information as to what those agreements would be.

Ms. Gigantes: Don't you think, Mr. Minister, in our consideration of how committed we should be to promoting export sales of Candu—I think again of the building of Bruce D and some of the argument we have heard that as Candu sales expand around the world benefits will necessarily flow to Ontario—that we should be doing a pretty fine analysis of exactly what those benefits might be expected to be? If we are going to sell 11 plants, which is the outside estimate we get now from AECL and only two of them are going to have major Canadian content and part of that will be Ontario content and will therefore be of benefit to Ontario, then we should be analysing the long-run benefits of our commitment to that idea.

Hon. Mr. Auld: Let me answer it this way. Obviously you can only analyse when you have the detail. We have a pretty good idea now of what the Canadian and the Ontario content is as far as the plant itself is concerned—not the heavy water which I think is a separate issue.

Mr. Gigantes: We were being told to go ahead and build the plant because the heavy water could be exported and it was in our

interest to have the export sales. You say why I am linking them together.

Hon. Mr. Auld: I know. But Industry and Tourism is undertaking that analysis. However it is difficult to analyze accurately an agreement, if you understand what I mean.

Ms. Gigantes: I do understand what you mean.

Hon. Mr. Auld: I think that the government of Canada, certainly from the statements that I have seen in connection with the export sales program, is anxious to see as high a portion of Canadian content as possible in any plants that are exported. I really am not competent to say how much of a patent or whether if we refused to license somebody they would be unable to build a Candu-type plant. But as far as the mechanical components are concerned, I have no doubt that our interests and Atomic Energy of Canada's interests are pretty much parallel. In the question of heavy water which is a different kind of thing, I think that the price is going to have a great deal to do with that, and also world capacity for production of heavy water. How that is changing or growing I don't know because the Candu plant is the main user of heavy water, as I understand it.

It would appear that the Bruce plants are more economical. They are producing satisfactory heavy water more economically than other plants. Consequently I would assume that, other things being equal, they would have an edge in supplying heavy water elsewhere as well as here.

Ms. Gigantes: You understand my concern. I don't like us in Ontario accepting simplistically the idea that if there are Candu sales abroad, Ontario is going to reap long-term benefits of a major kind. I don't want us in the position, therefore, of being boosters of Candu exports when, if we look carefully at it now, we might be able to see the benefits were not as large as one might assume. I think it important for the Ministry of Energy and also for Treasury, Industry and Tourism to begin now to analyse whether that notion is a simplistic notion or whether it has validity. In the past we have made, I think some simplistic assumptions about what the benefits of programs such as export sales of Candus might be at the federal level.

I think you are quite correct in saying that the interests of the federal government and the AECB are the same as the interests of Ontario, but as we have seen in the past those interests have not always been well pursued. We have lost money on export sales of Candus in the past. We can't control whether

we lose money at the federal level over export sales, but we can certainly decide for ourselves here in Ontario whether it's to our benefit, if we take the time now to collect the information on which we could make a proper analysis.

Hon. Mr. Auld: I think we want to get all the information we can to make these kinds of analyses, but I suggest to you that if you hope to supply it you have to be in a position to supply it. In the heavy water situation, from the time of deciding you want to supply some until the time you can actually do it is a long-time span.

Ms. Gigantes: There's one other question I would like to ask of the Hydro people who are here right now. It's a very vague kind of question. Perhaps I will only be able to get a vague answer but I will understand that. When we get ourselves in a situation, as we are now, where we've made a commitment on capital for the production of electric energy—and that commitment stretches over many years and it's an enormous capital commitment—and we discover, as we have been over the last two years, that our domestic need for electricity is not as high as it was, is there a point and has there been an analysis done within Hydro at which we begin actually to be pushed by the machine behind us that we created rather than trying to lug that machine forward to take us where we want to go?

We're getting pushed behind by the machine in the sense that we get to the point where, unless we can find markets for our electricity, the immediate financial cost to Hydro and hence to the public of Ontario is enormous, so that it becomes a necessity to find the market, either domestically or for export, to pay for the electricity we can produce because the capital has already been invested.

Mr. R. B. Taylor: I don't suppose there's a question in Ontario Hydro that more concerns us than this dilemma of having to start to put in place facilities to supply an energy demand 10 and 15 years down the line when we don't know what it will be. You are quite right. As events unfold and we find we're either short or over—and we have been both—then you just do your best to make most economical use of the facilities you have, if they're in surplus, or to make up the demand, if you're in deficit. Your question is a very good one. As you suggested, I can't give you any more than this vague sort of answer. Hydro has a record of trying to accommodate itself as best it can to these future unknowns. You made one other point. Do you remember what it was?

Ms. Gigantes: What I'm interested in finding out is whether Hydro is doing an analysis or if anybody in Ontario in any arm of government is doing an analysis. What is the point at which we should stop and say to ourselves if we make a commitment of this magnitude, for example, for a hydro plant or a nuclear plant of 1,200 megawatts for a term 12 years away, we're taking too many risks because we may not be able to use that electricity except somehow to create a market for it somewhere at a low price? Is that analysis being done?

Mr. R. B. Taylor: Constantly. It never ends.

Ms. Gigantes: Let me ask you then, Mr. Taylor, if we decide—and it's not at all clear at what stage things are in terms of this decision—that we are going to seek firm markets for the export of power to the United States over the next year or two years, why would American utilities be looking for a firm market when they know we already have too much electricity anyhow? Why would they be looking for a firm contract when they know they can always get a spot contract?

[10:45]

Mr. R. B. Taylor: Well, some of them don't. Some of them prefer to have firm contracts rather than to live from hand to mouth. Some of them on the other hand are in the same position and so are not interested in firm contracts. But there are a great variety of situations throughout that area in the United States to which we could transmit power.

Mr. J. Reed: May I ask a supplementary in connection with this? What good are firm power contracts to the energy security of Ontario?

Mr. R. B. Taylor: A firm power contract is not necessarily a contract forever. We would plan them to fit into those periods that would be most appropriate for us, having in mind the best estimates we can make of when we're going to eventually use facilities that may presently be surplus.

Mr. J. Reed: So, in other words, your concept of firm power contract is what we might consider to be an interim strategy in order to make the system more responsive to the changing demand pattern.

Mr. R. B. Taylor: Yes, and to fill in the gaps ahead as we see them.

Mr. J. Reed: Do utilities in the United States want firm power contracts of short duration?

Mr. Gordon: They could well want them. For example, they may be tied up in getting approval on a new generating station, and

they can see this creating a difficulty for them in a three- or four-year period in the early 1980s. In that case, they would want to tie that down with a firm contract rather than take the risk of not being able to buy on the spot market as it were, even though they know Ontario Hydro has an excess capacity at that time. That's from the buyer's point of view. From Ontario Hydro's point of view, the seller's point of view, we normally get a higher rate for a firm contract than we would on the spot market.

Ms. Gigantes: That's why I can't understand why they'd want a firm contract.

Mr. Gordon: Because they don't want to take the risk of supply at that point in time.

Ms. Gigantes: But in fact what is happening with the electric market in North America is very much of a pattern, is it not? We saw New York get all the approvals for two nuclear plants over the last year, and then have the governor veto them because of dropping demand in New York.

Mr. R. B. Taylor: I don't think it is a constant pattern across the continent. There are places that, according to the electric reliability council, are going to be short in the early and mid-80s. It's not a constant, it depends on the growth rate of the area, and then we know that New York is not growing.

Mr. Deans: Can you tell us where those places are?

Ms. Gigantes: Yes, Atlanta.

Mr. Deans: How much do we sell to Atlanta?

Mr. R. B. Taylor: Could we sell? Could we wheel down to Atlanta?

Mr. Gordon: We could wheel down. We'd deal through the utilities with which we're directly connected, but we can wheel down into other utilities further down in the States.

Mr. R. B. Taylor: We did have an arrangement with Duke Power at the time of shortage in December 1975, was it, or 1976, to take power. We didn't have to use it and Duke's quite a long way.

Mr. Gordon: That's perhaps a good example of the risk some of the utilities might have facing them, as they had facing them in the first of this year. With a firm contract, they'd be tied in to get the power from us. Under a situation such as they faced with the coal strike, they'd be really scrambling to buy it at any price.

Ms. Gigantes: In the context of this discussion, it concerns me that there is a kind of built-in conflict of interest in an institution such as Hydro, and it's almost inevitable that there would be at this stage, when we're

beginning to become very concerned about putting conservation programs into effect for a variety of reasons. At the moment when we want very much to be able to put them in place for all kinds of very good reasons, Hydro, for all kinds of very good financial reasons, simply cannot afford not to be able to sell its power. It needs to be able to sell its power. If, instead of the current kind of growth patterns that we're seeing, we had seen an extra two per cent drop in demand domestically for Ontario Hydro's product, Ontario Hydro would be in financial difficulties which kind of boggle the mind.

We have these two elements coming together in a really worrisome way. On the one hand we need conservation for all kinds of financial, social and environmental reasons. We're aware of that now and we're anxious to pursue it. The public is anxious and I'm sure that you as a member of the government and as a representative of the public of Ontario are as anxious as I am to pursue that. That's something we can identify as a real goal to be achieved.

At the same time, if we achieve that we have a public institution, Ontario Hydro, which has built into it, a need to sell. I think that at some point the Ministry of Energy has to take on that dilemma and have to come up with the analysis and the planning that will mean Hydro is not going to be in a disastrous financial position simply because we're doing something we definitely need to do, which is effectively conserving.

We haven't had an effective conservation program in Ontario. Much of what has happened has been in itsy bitsy, little things done at the edge which have been very effective, enormously effective, effective beyond the belief of Hydro in the past to conserve energy. The price effect has clearly been felt over the last couple of years.

There is dilemma for Hydro which I think, as a matter of public policy, we're going to have to sort out.

Hon. Mr. Auld: You wound up by saying that their program is effective. I thought you were about to say that they weren't doing enough in conservation.

Ms. Gigantes: Well, they aren't. What has happened is the tiny bits that have been done have been enormously, frighteningly effective from the financial point of view of Hydro.

Hon. Mr. Auld: I think we agree that the conservation program that Hydro has launched and is continuing has been effective, because there has been a considerable drop in the growth rate.

Ms. Gigantes: If we had a really effective program, Mr. Minister, Hydro would be in worse financial difficulties than I think I can imagine. My mind boggles. If we hadn't been able to sell power over the last two winters—

Hon. Mr. Auld: I don't want to pursue that with you but there are those who would say that a really effective program would top all demand and I really don't think that that is feasible.

Mr. J. Reed: With respect, Mr. Minister, you will know that in North Bay an experiment was tried by the utility, a conservation program of very moderate proportions, this last year. It was discovered that it was very effective, and—

Ms. Gigantes: Nepean township.

Mr. J. Reed: —as a matter of fact, the conclusion was that the rates would have to go up.

Ms. Gigantes: That's it. You're getting yourself to that point.

Hon. Mr. Auld: What I said, Julian, was that if it was totally effective there would be no demand. I really don't think that could ever happen.

Mr. J. Reed: You mean there would be no demand for electric power.

Mr. Wildman: Don't you mean no increase demand?

Hon. Mr. Auld: There are some people appears to me who would like to have—

Mr. Acting Chairman: Excuse me a minute. I think one at a time, otherwise we'll all start discussing it. In all fairness, if it's complementary the chair will accept it.

Mr. J. Reed: My apologies, Mr. Chairman.

Hon. Mr. Auld: There is no question that degree of demand—if everybody was in one community it would be the least expensive way of supplying whatever amount of electrical energy was required. Part of the problem of pricing has to do with dispersion of customers, built-in costs of transmission lines, transformers and all that kind of thing. Leaving that part aside, I suppose that we reach a certain point, no matter what point it is, where we would have too much capacity for the current level of demand and consequently the carrying charges of that capacity will be assessed against the existing customers. The less they use, the more they will pay for that energy.

However, there are some other variables, particularly because we are in fossil fuel generation, where we can switch in a reduction in demand. Because I really don't under-

stand all the nuances of base load and peak load and all the little things in between, I don't want to try to get into exactly where the optimum level of demand for the facilities that we now have is in terms of price for the consumer.

I don't disagree with you that if demand went away down—I don't think it is possible—to the level of, say, 1948 that we would have a lot of plants that we would have to mothball. But I think Hydro has to plan for an increased demand. Whether it is two per cent a year, one per cent a year or five per cent a year, it is an increase and it is cumulative over a period of years. The length of time that it takes, assuming that everything goes according to plan, which is not often the case, to produce both the additional generating capacity of whatever kind and the transmission lines that have to hook it up is such that Hydro has to do some pretty sophisticated analysis of future demand and is not, I don't think, always going to be right because there are too many things that can happen in the next 10 or 15 years that are virtually unpredictable.

Ms. Gigantes: I agree with you in the analysis that you have made. Given that we are newly aware, newly sensitive to those difficulties and newly aware also of the financial penalties that the public, and not just the power consumers have to pay—if I burn wood and use candles, I am still going to pay for Ontario Hydro's deficit if I live in Ontario—that part of the debt that gets serviced in Ontario has to do with the debt incurred on behalf of Ontario Hydro.

Hon. Mr. Auld: Hydro to date has always paid the interest and the principal on its own debt.

Ms. Gigantes: Yes, but we have to borrow. It limits our borrowing and it limits our financial manoeuvrability in this province. Even if I didn't use electric power, I would bear a burden for that, if I lived in this province. So it is not just how much you pay on your rates.

Hon. Mr. Auld: At the moment we have a triple A rating. The province isn't borrowing itself directly; it is borrowing from internal funds. We have a triple A rating, so that if we were borrowing we would be getting the best rate. Hydro is now getting that best rate. We would still be getting that best rate until such time as the total borrowing that we were doing ourselves and that we were guaranteeing went beyond what the financial houses thought the triple A rating should apply to. At the moment, the answer is that Hydro's borrowing is not costing us anything.

Ms. Gigantes: That may not be true very quickly, as you know, and it has been a concern of the previous Treasurer.

Mr. Deans: Excuse me, may I just say a word about that? Of course it costs us. It costs us because we carry a provincial deficit at a level that is almost unmanageable in growth terms, and we are unable, therefore, to put money into other projects that would provide far greater economic stimulus than we do and will get from continued increased generation. The cost isn't by any means readily measurable.

Ms. Gigantes: It is an opportunity cost.

Hon. Mr. Auld: Do you mean that we are not borrowing more money to do these things?

Mr. Deans: It is not that we are not; we cannot. Although we have a good rating and although in economic analysis terms, we have the capacity to pay more in the way of debt charges than we currently pay—

Hon. Mr. Auld: Well now wait—

Mr. Deans: Let me just finish for a second. I let you skate for a while and I'd like to try. I didn't learn to skate as early as you, but I have caught up.

[11:00]

We are in a position where the public's perception of the capacity of the province to carry additional debt is such that it makes it very difficult for the province to contemplate borrowing, even if borrowing were a necessity to stimulate the economy to create the kind of movement that is required in order to allow people to continue to live at levels similar to the levels they are living at today. We can't engage, in other words. What's happened is that because Hydro has tied up so much of the money—Evelyn is absolutely right—the rest of us pay in all other kinds of ways because of the indebtedness of Hydro. You can't look at it in isolation.

Hon. Mr. Auld: I disagree with you, Ian, but this is really a debate to have with the Treasurer (Mr. F. S. Miller). People look at our debt on the basis of our ability to repay it. Our ability to repay it comes about because of our sources of revenue. If our sources of revenue are reducing, as they have been, then it is academic whether Hydro's borrowing is affecting us or not. I don't think it is, because we are not likely to borrow more money than we can anticipate being able to repay, and the cost of repayment and the cost of interest are going to affect us, no matter what Hydro does, if Ontario is borrowing on its own account for projects over and

above those that apparently it can pay for at the moment.

Mr. Deans: Jimmy, if we could, let us assume for a moment that we are talking about the same taxpayers; they pay Hydro costs and they pay all other costs. We are in the process of accumulating and carrying debts on Hydro's account. Everybody does it. Whether you do it through the general revenue, or through direct apportionment of costs to Hydro users, makes very little difference because we are still talking about 90 per cent or 98 per cent—God knows what—of the province of Ontario with electrical power.

What you are losing is that you can't look at those things in isolation and say that on the one hand you have the provincial debt and on the other hand you have Ontario Hydro's debt. They are both the same thing. Therefore, if you allow yourself to get taken into the argument that you can look at one in isolation from the other, what you are really saying is that, at times when you require economic stimulus by the government, the mood has been established in the province which makes it virtually impossible for the government to go into the marketplace and borrow. The public are of the opinion and I think with some justification, that the government has borrowed in all of its various forms to a level that at this point is quite unmanageable because we are not growing sufficiently quickly in order to accommodate the new costs.

Hon. Mr. Auld: I think what the Treasurer has said is that there is only so much money available for public borrowing.

Ms. Gigantes: That's right.

Hon. Mr. Auld: There is only so much money available for private borrowing. There is only so much capital available.

Ms. Gigantes: We have got it locked into a capital structure for Hydro.

Mr. Deans: Now you're seeing—

Mr. Acting Chairman: The chair would appreciate it if only one would talk at a time. Anybody can talk but, please, one at a time.

Hon. Mr. Auld: One of the reasons that the previous Treasurer said he was concerned about Hydro's capital program was because there is so much money. He had not said that it wasn't necessary but that there is only so much money available. In fact, if you look at the energy situation in Canada and you start talking about oil lines and gas lines and the amount of money that is going to be required to build them plus pumping stations, plus a lot of other things, I read somewhere the other day that instead of five per cent of the

ross national product, we might be up to 10 per cent and what was it going to come out of—

Ms. Gigantes: That's a very good question.

Hon. Mr. Auld: —because maybe Stelco couldn't borrow some money to put an addition on their plant.

Ms. Gigantes: Mr. Minister, I don't think you should be reading about this and speculating about it. I think you should get serious about it; study it. It's one of the biggest questions government is called upon to face these days, and I don't see governments doing it.

Hon. Mr. Auld: I have to disagree with you. One of the things that Treasury does is take a look at that whole problem constantly.

Ms. Gigantes: The first public indication we had of that in any consistent kind of way, in any holistic kind of way, was Mr. McLaughlin's speech in June. This wasn't the major thing that I wished to bring up with you right now. I wished to make that point in order to make another.

At this point in time, when the seriousness of the questions that have to be answered is clear to us, as are the high penalties that can be involved with long lead times and the risk of predicting wrongly on domestic demand or foreign market demand, does it make sense—let me suggest to you that it does not make sense and ask for your comment—for Hydro to be continuing and increasing the degree of concentration of supply? In other words, it doesn't make sense at this point in time.

We should know for sure that you don't go from a 500-megawatt unit to a 700-megawatt unit to an 850 unit to 1,250 unit. If anything now, we should clearly be able to see one certainty, that we should not be building bigger and bigger sources of supply, more centralized sources of supply. I find it amazing that even in 1978 when we have seen documented by Hydro a dramatic drop in the demand that they had predicted for the last couple of years and also a change in their prediction for a demand domestically over the next 10 to 15 years, that we should see them continuing to increase—

Hon. Mr. Auld: The increase in demand.

Ms. Gigantes: That's right, that's right. We could see them continuing on a pattern which was suitable to the old days when we had consistent demand where we could predict it over a long period of time. We knew it was going to grow at seven per cent roughly.

We don't know very much about what's going to happen to demand, either domes-

tically, if we increase our conservation, or in foreign markets, we don't know what they are going to do either. A lot of it depends on policy decisions.

Why, when all this is clear, do we see the institution of Hydro continuing the development of more and more centralized supply of electric power? Isn't that a very dangerous thing to be doing at this stage in time?

Hon. Mr. Auld: You're talking about larger units?

Ms. Gigantes: Larger units. You know the implications of larger units.

Hon. Mr. Auld: I would defer to Hydro, because they are the experts.

Ms. Gigantes: I don't think you should defer to Hydro.

Hon. Mr. Auld: My understanding is that the larger units are more effective.

Ms. Gigantes: Of course they are, and they also require a higher level of reserve. The transmission facilities that have to be attached to them are much more sophisticated and costly. They can't be tied nearly so nicely to where growth is occurring. Leave aside all the environmental questions about large sources of supply for Hydro and that's a totally different argument, but simply in terms of the risks involved, that we can identify.

Hon. Mr. Auld: There are also things like transmission corridors and stuff like that and there is not a great desire to have a lot more transmission corridors. We have some and I guess we want to get the best use out of them. However, one of the reasons, of course, that Hydro is here is to deal with exactly that kind of a question, which to me is a technical question and one that a good operating company would be able to justify.

Ms. Gigantes: That's a mistake, Mr. Minister. I think you're making a mistake. That is not a technical question. That's a policy question and I think if you avoid dealing with that level of question, and say that it's Hydro's technical expertise you're going to rely on in that, you will be missing the function that you are supposed to be serving.

Hon. Mr. Auld: Any policy decision is based on knowledge of the technical and social facts. I would like to hear from Hydro the technical facts about increasing the size of a plant in a single site or adding a second plant on that same site rather than on a different site, because I think there are some rather important economic considerations as well as perhaps other non-economic considerations.

Ms. Gigantes: Mr. Chairman, I'm in your hands. I'm not particularly interested in hear-

ing Hydro's way of explaining why they're moving to a 1,250-megawatt plant size at this stage. I don't think it would be useful to tie up the time of the committee on that. I would like to simply make the point to the minister that I think he'd better think about it. I'm satisfied to leave my questions for the moment. Thank you.

Hon. Mr. Auld: Don't let me leave the impression that we don't.

Mr. R. B. Taylor: Mr. Chairman, might I interject? I'm disappointed in the member's comments concerning our conservation program. We are rather proud of it, not only the efforts we're making ourselves, but in the efforts that the community, the total Ontario community, is making in response to, you might say, the catalytic efforts our energy group under Hal Wright has put forth. I have with me today, for instance, one of our publications that refers to the Canadian Imperial Bank of Commerce and the tremendous savings they've made in energy as a result of collaborating with our people. So I would like to get it on the record that no matter what others may think of it we think that we're doing pretty well, and we're rather proud of it.

Mr. J. Reed: Perhaps it's a good time to ask a few questions. Where is Mr. Wright now?

Mr. R. B. Taylor: I expect that he's working down at 700 University Avenue.

Mr. J. Reed: And where is he going?

Mr. R. B. Taylor: In February he is due to become the regional manager of the north-eastern region.

Mr. J. Reed: Who is replacing him?

Mr. R. B. Taylor: We haven't come to that yet. We still have four months to decide.

Mr. J. Reed: Will he be replaced in his position?

Mr. R. B. Taylor: Yes, he will be.

Mr. J. Reed: So the conservation program is not going to be brought under the wing of another director but, rather, will have its own separate director as Mr. Wright intended?

Mr. R. B. Taylor: We intend to continue with our conservation program as strenuously as up to now, or more so.

Mr. J. Reed: That's very good news, Mr. Chairman.

I'd like to ask some questions about the grand announcement of the 17 hydraulic sites last fall, not one of which is on the Albany River—2,085 megawatts of peaking power. It's funny how you can come up with these

things when you have to. How many of those sites have been approved by the board of directors to proceed?

Mr. R. B. Taylor: Might I ask Mr. Morison to pick up your question on this point, Mr. Reed?

Mr. J. Reed: Sure.

Mr. Acting Chairman: State your name sir?

Mr. Morison: I'm Bill Morison, the director of design and development, Ontario Hydro.

The board of directors hasn't approved any of those projects yet.

Mr. J. Reed: How many of those projects have been submitted for environmental assessment?

Mr. Morison: We're in the early part of the process of getting the environmental assessment undertaken—the studies and the work towards documenting the information which we put before the Environmental Assessment Board or others.

Mr. J. Reed: Why would a hydraulic plant be submitted for environmental assessment when a nuclear plant would be exempted?

Mr. Wildman: That's a very good question.

Mr. Morison: I understand that all major projects we'll be undertaking in the province will be before the Environmental Assessment Board from this point onward.

Mr. R. B. Taylor: All our plants will now go before the Environmental Assessment Board.

Mr. J. Reed: Except for Darlington.

Mr. R. B. Taylor: I'm thinking as of a certain time, Mr. Reed.

From now on everything goes and we're glad to have them go.

Mr. Deans: Unless someone changes his mind.

Mr. J. Reed: I've always been kind of concerned about that.

I'd like to just ask a few questions about transmission facilities, if I may. In 1971—

Mr. R. B. Taylor: You know, Mr. Reed that Mr. Reynolds and Mr. McClymont are here, Mr. Reynolds from route and site selection and Mr. McClymont from system planning.

Mr. J. Reed: All right. Perhaps after they hear my question they can fight it out between themselves as to who might choose to answer it.

In 1971 the government of Ontario, in its wisdom, established certain parameters for

a transmission line from Bruce to Milton. In 1973, an association known as the Interested Citizens' Group asked for an independent study of that corridor, and consistently thereafter they have continued to ask for an independent study of that corridor. The government continued to maintain that an independent study had been undertaken by Dr. Solandt concerning that particular corridor but last year, in testimony under oath, Hydro admitted that no such study had been undertaken.

I personally have been involved in continuous appeals to the minister, to Ontario Hydro, and to anyone who will listen, to proceed with that independent study. In every case—in every case—the answer was that it could not take place because of the urgency of completing that line. The urgency was stated as strongly in 1973 as it was stated in 1977, as strongly as it was stated in 1975. I suspect that if I were to approach the utility now, the urgency would be restated, probably in more emphatic terms.

I think it's generally agreed that such an independent study would take about four months—well, originally a year and a half, but it seems to me that where we got down to was that the study that they had asked for would take about four months. However, be that as it may, suddenly the urgency is gone in terms of the overall demand in the province of Ontario. At least it appears to have gone, since you are now in the process of putting half of Hearn into reserve and you're now in the process of doing something with Lennox. Therefore, rather than the urgency increasing in terms of the overall demand for electric power in Ontario, the urgency has actually gone the other way; it has decreased.

I understand full well that the cost of bringing nuclear power out of Bruce is cheaper than the cost of bringing power from Lennox or power from Hearn. I understand that. But the obvious truth is that there has been a gross mistake or a series of mistakes made by the utility in terms of its methods of acquiring corridor space. At least if there had been no mistakes made, then the method itself—if it is continued with in the same way as it was with that corridor—is grossly in error.

What I would like to know is what Hydro is going to do in the future about corridor acquisition that will bring an end to this kind of stagnation, this costly stalemate that has cost the citizens thousands of dollars. It has cost the people of Ontario thousands of dollars. If it's not resolved it's going to cost many more thousands of dollars. You're stuck out there. You can't move; they've got an

injunction against you now. The official plan of that squeezing does not even permit a corridor to go through, you knew that when you started. You know it was rather, "Damn the torpedoes, full speed ahead." Well, that's okay. That's the situation now and you're going to have to somehow rise to the surface and muddle out of that one. What are you going to do in the future? Where are you going with this business of acquisition and so on?

Mr. R. B. Taylor: Well, Mr. Reed, in reply, I think Mr. Reynolds could first outline to you the procedure that we must follow according to the laws of the province and then Mr. Gordon and I might have a comment after.

Mr. Reynolds: Tom Reynolds, director of route and site selection division, Ontario Hydro.

Mr. Reed, with respect to future programs the chairman has already indicated that all of our major projects come under the Ontario Environmental Assessment Act, which was not part of the procedure with the line you're speaking of. Therefore all of our route and site programs in future will be subject to a hearing—we expect it will be subject to a hearing—under that act, an independent environmental hearing. That presumably complies with that particular issue of an independent review.

However, in spite of that, the activities that have taken place in terms of delay, obstruction, whatever you call them, would not necessarily be prevented. It would not necessarily be prevented; that is, the actions that interveners can take in spite of such a hearing presumably may still be available unless some other action is taken to overcome those problems. There is nothing in the Environmental Assessment Act, for instance, which would overcome opportunities for the public to use the legal system available to them.

Mr. J. Reed: Except in this particular case, the people involved simply asked for the kind of independent study that will be done under the Environmental Assessment Act. They asked for it in 1973. They were continually refused it because of "the urgency of time". That is the great leveler written into every action taken that has questionable justification. We can't wait, we've got to go ahead.

Mr. Reynolds: That's correct, sir. With respect to the Environmental Assessment Act there are many projects which are exempt. Most of those exemptions have now run out. With respect to Ontario Hydro's program,

those exemptions are no longer available. We have complied with all the exemption orders, and we would not expect to get such an exemption in the future except for special circumstances.

Mr. J. Reed: What is going to happen in the future when you are faced with what you think is the urgency of time again?

We can go down this creek ad nauseam if we want to. All you have to do is come back and persuade a minister with all your expertise that this is urgent, and has to happen now. My God, that line was urgent in 1973. Darlington was exempt because it was urgent. It makes a mockery of the act to get into this kind of wholesale exemption.

I realize you have stated your intention that everything in future should come under the Environmental Assessment Act, and receive that kind of thing; if it does, I applaud it.

Mr. R. B. Taylor: Mr. Reed, it is not our intention; it is the law and we obey the law.

Mr. J. Reed: But the law also provides for the exemption.

Mr. R. B. Taylor: But not by Ontario Hydro. We can do nothing. We can plead if we think we have a case, but we do not decide.

Mr. J. Reed: Exactly.

Mr. R. B. Taylor: So it is really out of our hands.

Mr. J. Reed: Exactly.

Mr. R. B. Taylor: We would prefer to go through the environmental assessment proceedings. As you well know, we have had our fill of problems with people. We don't like to have problems with people. We don't want any more if we can prevent it.

Ms. Gigantes: Why do you plead for exemptions then?

Mr. R. B. Taylor: I didn't. I said "if," and I can't for the moment envisage a situation where we would plead for exemption. But everybody, including an institution like Ontario Hydro, has a right to make a plea to government. The government can deny it.

Mr. J. Reed: Okay, I guess then the ball goes back to the minister on these things, and he is the guy who will be accountable.

Mr. Riddell: Mr. Chairman, before Mr. Reynolds leaves the stand I wonder if I could ask a question.

I understand that you are in charge of site selection. It seems to me about every other week I get letters and inquiries from people in my riding, that's in Huron-Middlesex, about another generating plant being planned by Hydro to go somewhere along the shores of Lake Huron between Goderich and Grand

Bend. Speculators are buying up land to beat the band around the town of Zurich and other towns in the area. I would like to know whether you people are giving any consideration to developing another generating plant in that particular area, or could we, once and for all, set their minds at ease in the riding that there will be no further development of that kind.

Mr. R. B. Taylor: Mr. Riddell, before Mr. Reynolds speaks, I can't resist telling you that when I was in Goderich a year or so ago, the newspaper reporter came up to me and asked me why Ontario Hydro was going to put a nuclear plant in the abandoned hospital just outside Goderich. The people are very anxious there and sometimes go overboard, or they just don't know what the process is. I just couldn't resist saying that. I think Mr. Reynolds might take this up.

Mr. Reynolds: I'd like to comment, first of all, with respect to speculators. Quite apart from a conflict of interest, one of the poorest investments that I can think of personally, with all my knowledge of what we're doing in siting, would be to buy land in southwestern Ontario at the moment on speculation that Ontario Hydro is going to want it.

We do have a study—and we have studies in all areas of the province—to select a possible location in southwestern Ontario. When I say "southwestern Ontario," that includes your riding, the Huron-Middlesex area, and covers from Niagara Falls around towards Parry Sound. We have studies in all regions of the province for some future time when we might need to acquire new sites. We have ongoing public participation programs, in particular with the agricultural community and other interest communities, in that part of the province. We have met regularly since a year ago last September—I think we've had something like 14 meetings—with respect to the factors that would be used and the importance of each for such site selection.

With respect to the area that you refer to, we do not have active programs identifying sites in that area.

Mr. Riddell: Is it not true that in your long-range plans there is on your grid a mark indicating that somewhere between Goderich and Grand Bend there is some contemplation of a plant going in that area?

Mr. Reynolds: We have a number of scenarios of future system design, and some of those scenarios include a plant in that location. Some of them include plants at other locations in southwestern Ontario.

Mr. Riddell: Let me ask you this: Why would you even consider putting a plant o

any kind in that area when Goderich is only 10 to 40 miles south of Douglas Point? Why would you wreck another area when, if you want more power, you could probably go ahead and further develop the plants up at Douglas Point? I'm not suggesting that this be done, because it's obvious we're not going to require that kind of power.

I just can't believe that you would come down into the agricultural breadbasket of Ontario to put in a nuclear plant, knowing that this is now about the only area left in Ontario that can grow crops such as white beans which are very susceptible to pollution. I just can't understand why you would even consider a plant in that part of Ontario rather than go ahead and further expand at Douglas Point if the need to expand exists.

Could you straighten me out on this? It boggles my mind, and it really bothers the farmers. As I say, they're contacting me almost on a weekly basis, saying: "Is it right that Hydro's coming in here? Are they going to be putting up a plant? Should we be looking to sell our land or to get out of the growing of this crop and into a crop that is not so susceptible to pollution?"

I would like to be able to go back to my people and say, "Hydro definitely has no plans now or in the future to march into a good agricultural area to set up these plants and create the havoc that it would to the agricultural industry in the area." Can I go back and tell them that?

Mr. Reynolds: You can go back and tell them, sir, that we've been meeting with the agricultural community for many months in an attempt to determine what are the significant factors. It is quite possible that all of the things you have inferred will have a significant input into our evaluation of that location. But you are prejudging that we shouldn't be there at all, that we shouldn't even be talking to the farmers. I don't accept that. There are a number of interests in Ontario, and we can make the same kind of comments with respect to recreational and where there are no farmers.

11:30]

People can say, "Why would you even consider being there?" You can make that point with almost any area. What we are trying to do is a total assessment, a holistic assessment, as Ms. Gigantes called it, of all the facts. If those agricultural factors become prime interests, those areas will not have as high a priority as others. But I don't believe we have reached that point yet. We have not had sufficient communica-

tion, adequate participation with our public, to assess that.

Mr. Riddell: I would like to have more faith in the assessments than I have, because I have attended some of the hearings you had up at Bruce over the generating line from Douglas Point down to I guess, eventually Georgetown, and, boy, I am going to tell you, that was a pretty one-sided hearing. I hope I never have to attend another like it.

I understand that any further development would have to have an environmental assessment done, but I would like to think I could place more faith in the assessments that have been done—unless it is exempted, and as long as I am still in this business it will be a damned long time before you exempt it.

Mr. J. Reed: May I continue?

Mr. Acting Chairman: Mr. Deans has a supplementary, if you don't mind.

Mr. Deans: I want to ask a question with regard to an answer given to you about Hydro's obligation to obey the law. I think you will recall mentioning that Hydro, like everyone else, has to obey the law.

I want to put to you a situation that in fact exists where a municipality obtained a stop work order on a project—a small project, mark you, but a project nevertheless. Hydro continued, in spite of the stop-work order, to install the hydro lines.

Mr. R. B. Taylor: Could I have the particulars about that, Mr. Deans? I certainly would like to follow it up.

Mr. Deans: All right. I will tell you about it. In the township of Glanbrook, in what was previously the town of Binbrook, there is at the present moment considerable controversy raging over some small but potentially obnoxious development that is taking place.

Mr. R. B. Taylor: Is it Hydro that is an obnoxious development?

Mr. Deans: God no. You are not an obnoxious development in this instance; you are just a collaborator.

Mr. R. B. Taylor: That is even worse.

Mr. Deans: The person who was proceeding with the development, in spite of the fact that they hadn't obtained the necessary permits and in spite of the fact they had been informed that they needed the necessary permits, and in spite of the fact that the township went and got a stop-work order and put it up and informed Hydro, because Hydro continued to put in the electrical power, Hydro said, "We have an order to put in power and we are putting in power."

What would you do in a case like that? The people asked me and I said I would assume Hydro is under the same requirement as everybody else. They have to obey the law. They said, "Well, how do you enforce it if they keep sticking the poles in the ground and stringing the wires? What do you do? Chop them down when the fellow is up there putting the wire in place?" I don't know.

Can I suggest you call Craig Switzer, the clerk of the municipality?

Mr. R. B. Taylor: I saw three people take down that name, so we will call him.

Mr. Deans: Good. I couldn't believe it. How would Hydro, a law-abiding corporate citizen, do a thing like that?

Mr. R. B. Taylor: Is it, Mr. Deans, the case that Ontario Hydro is supplying power to an obnoxious, or perhaps obnoxious development?

Mr. Deans: They are actually supplying power to something that is going on illegally. That is what is wrong. The person is doing this and has no legal right to do it. You have been informed that the stop-work order is in place and you seem to insist in putting the power in anyway.

Mr. R. B. Taylor: Do you mind if I get a few of the facts before I respond?

Mr. Deans: Sure. Call Mr. Switzer. I have another matter but I will wait in line.

Mr. R. B. Taylor: Do you want me to get back to you, Mr. Deans?

Mr. Deans: Yes. It just struck a bell with me when you spoke about—

Mr. J. Reed: I just have a couple of other questions. At the present time you are engaging in a pilot project at Wasdell Falls concerning the installation of a package hydraulic plant that will produce, I believe, 130 kilowatts of power, 0.13 megawatts. It's a very commendable demonstration project except for a couple of interesting things. First of all, you are spending half a million dollars on it. Secondly, it is not using the capacity of the river.

For the life of me, I cannot figure out why Ontario Hydro would undertake a demonstration project of that incredible cost, which is well above and beyond any reality in terms of the installation of small turbines, in a location where you really should be installing an optimum unit. I don't know why you didn't take this package unit, which will have application—and I know this kind of thing will have useful application—in the province of Ontario, and put it in a place where it is going to be used.

I am quite astounded and I might as well tell you why I bring up the subject. What I'm afraid of is that some of your McConnells and Morisons and the nuclear club at Hydro are going to say some day to some unsuspecting politician that they tried that and it was too expensive and it just doesn't work. The cost per kilowatt is so high that you can't do it. I know differently, Mr. Chairman, and you know I know differently. I'd like to know why this kind of expense is being undertaken.

Mr. Morison: The test program at Wasdell Falls is to prove out this equipment, this type of plant, for use up in the northern communities where the equipment will have to be taken into remote areas and assembled and run with very limited resources. We want to make sure it runs well and runs efficiently. This is about the size that's wanted up in these locations, about 100 kilowatts to 150 kilowatts. We looked around to find a place where we felt we could do these tests effectively and efficiently. Wasdell Falls was chosen from among other alternatives. It's not intended that this be an installation at Wasdell Falls on a permanent basis. This equipment will be taken out subsequently and moved to a location where it can be used for that size.

As you also know, we did have a plant at Wasdell Falls. I believe it was the first power station Ontario Hydro built. During the 60s, it was examined. It was in bad shape and it was not operating. We assessed whether we should replace the plant or return the site back to nature. At the time the assessment was made, economics showed that it would be uneconomic to rebuild the station that was there before. That was an assessment done in the sixties.

Mr. J. Reed: I can show you at least a hundred other sites in southern Ontario that are easily accessible which would lend themselves to a 130-kilowatt installation which could stay there permanently, would make maximum use of run of river and would not have to undergo the expense and the inefficiency of that kind of installation. You could bring it down to my farm.

Mr. Morison: Perhaps those sites can be developed in the future if this type of plant turns out to be economic.

Mr. J. Reed: You've said something there that causes me concern—"if this unit turns out to be economic." How can the unit be economic? It can't be under the framework or the terms of reference that you have applied to it.

Mr. Morison: I don't understand. There's very little site work involved at Wasdell Falls. There is a head available.

Mr. J. Reed: Yes, I know. That's the incredible part. The civil works are all in.

Mr. Morison: Supplying the equipment, transporting it to the site and assembling are involved here. It's mostly equipment cost.

Mr. J. Reed: Yes, but \$500,000?

Mr. Morison: Plants cost a lot of money.

Mr. J. Reed: I wish I had that contract. I just cannot understand the logic. There's about a megawatt and a half, I think, at Wasdell Falls, give or take a few.

Mr. Morison: On a peaking basis.

Mr. J. Reed: I cannot understand why a site that actually used that quantity of power with that kind of head was not selected. In my opinion it could have been done at a fraction of the total cost. When you consider putting that machine in—now you're going to take it out again after you've proven it? You should be doing something else at Wasdell Falls in the future.

Mr. Morison: The major cost is related to the equipment and facilities, not the installation. There's very little civil works required at Wasdell Falls. That's one of the reasons that was chosen—because we already had a head that we could use—and there's very little work on the site required. So I don't think it's all that evident that other sites would be as suitable and less expensive; I think they are probably more expensive.

Mr. J. Reed: Well, maybe you and I can spend an afternoon—

Mr. Morison: We should go up and look at it.

Mr. J. Reed: I just want to go on record here as pointing out that if the cost analysis that goes into that Wasdell project is used to either confirm the efficacy of this particular piece of machinery or not, then it's simply going to confirm in people's minds that hydraulic power is unfeasible, which it is not.

Mr. Morison: I hope it proves that installations are economic. But we are using manufacturing services and consulting engineering services on this job. We have very little of Hydro's effort in engineering or building anything on this job.

Mr. J. Reed: Well, I guess I've chosen my career for when my political days are over, because I think there's a dollar in it.

Mr. R. B. Taylor: Can't you moonlight, Julian?

Mr. J. Reed: No, they'd call it a conflict of interest, Mr. Chairman. I have just two other very short questions: one is, with the J. Clark Keith upgrading, are you putting in scrubbers in the stack?

Mr. Morison: No, we're not. It's a small plant and the ground level concentration from the plant will be quite within the Ministry of the Environment's requirements.

Mr. J. Reed: I wonder, then, if either Mr. Taylor or Mr. Gordon might comment on the export of power as it relates to the environmental impact in Ontario. It is one thing to degrade the environment for our own use: we calculate how much degradation we're going to accept in order to provide the energy we feel we need.

I do believe it's quite another thing to calculate environmental degradation when we're exporting power. What I mean by degradation is, the fact is that this kind of power you might contemplate exporting is thermal power—either thermonuclear, or thermofossil. You're really leaving two thirds of the energy in the biosphere right here; it is like exporting the cream off the milk and then having to try to do something with the milk. I'm quite concerned about that. It may have certain positive financial repercussions and so on that look good, but there is an environmental price and the price is mainly with the waste heat—and to a certain extent with the products of fission as well—although quantitatively not as impacting nor as high. Have you got any comments or any—

Mr. R. B. Taylor: Are you speaking, Mr. Reed, of the construction of a plant that would be put up for the purpose of exporting firm power to the United States? I think that's a different thing and of course that would have to come before an environmental assessment hearing.

Mr. Haggerty: Not all Hydro projects are subject to environmental assessment.

Mr. R. B. Taylor: Yes, all of them are from now on.

Mr. J. Reed: Unless an appeal to the minister is successful.

Mr. R. B. Taylor: As far as Hydro is concerned all of them are subject to it.

[11:45]

Mr. J. Reed: Okay, perhaps just one last thing: If there is no financial relationship between Ontario Hydro and the province of Ontario, why did Darcy McKeough cut \$5 billion off the capital program?

Hon. Mr. Auld: As I said a while ago, looking at the total borrowings of the province, including Metropolitan Toronto and

everybody else, and looking at the possibilities of the future, we were looking at any kind of reductions in borrowing because it would all impact on the needs for money in this province and in this country.

Mr. J. Reed: So then you understand that there is, indeed, a relationship?

Hon. Mr. Auld: If you reread what I said a while ago, I thought I made it pretty clear.

Mr. J. Reed: I got the impression that what you are saying is that Hydro stands on its own entirely and if I am not a consumer of electric power, if I chose not to be a consumer of electric power, as Ms. Gigantes pointed out, I would still be financially involved with the utility.

Hon. Mr. Auld: What I said was that the province does not pay any of Hydro's debts or interest charges. The consumers of electricity pay those things and have done up until now, and as far as I know will in the future. The taxpayers have paid for half of the capital cost of rural electrification for a number of years. There are no payments to Hydro now except restructuring and the northern communities—don't panic, Bud—the remote communities in the north which Hydro is servicing one way or another and the province is paying part of the capital cost of.

Mr. J. Reed: In other words, the expansion program does have an impact on the financial status of the province and there's no way you can avoid that.

Hon. Mr. Auld: I said that.

Mr. Haggerty: It is still being funded from consolidated revenue then?

Hon. Mr. Auld: No.

Mr. Haggerty: How is it being funded?

Hon. Mr. Auld: It hasn't been.

Mr. Haggerty: Since when, though, since 1970?

Hon. Mr. Auld: As far as I know since Sir Adam Beck.

Mr. J. Reed: All right, Mr. Chairman. Thank you very much for allowing this wide-ranging discourse.

Mr. Wildman: Mr. Chairman, I have a number of things to raise. First, in the minister's opening statement, did I understand him to say that as a result of the pilot project for the windmill on Toronto Island the ministry and Hydro together or the ministry alone is moving to putting up another site in Sudbury?

Hon. Mr. Auld: I said that the ministry was. That's what we anticipate as the next step. There is still some work to be done,

as I understand it, on some change in the sail, or whatever it's called, on the island but the next step will be in Sudbury.

Mr. Wildman: I don't want to take much time on this because I have a number of questions for Hydro, but can you tell me why you chose Sudbury as opposed to Winisk?

Hon. Mr. Auld: It's a little easier to get to Sudbury, and there's not as much of a demand in Winisk. One of the things that we expect is that we will find this kind of a plant may well be effective in areas like the northwest above the tree line where the wind blows pretty constantly. On the other hand, they will be unattended stations for instance in connection with the microwave system for one, so we want to establish their efficiency and their need or otherwise for maintenance, how constant the maintenance is and that kind of thing. Perhaps tomorrow or when we have finished with Hydro, if you would like to go into this with our people who are expert, they can give you a little more detail.

Mr. Wildman: All right. I can see why you chose Sudbury in that sense because in many ways it's above the tree line too as a result of Inco's operation.

Hon. Mr. Auld: It was below the tree line.

Mr. Wildman: Yes, but there are no trees either.

Ms. Gigantes: It's an oasis of no trees.

Mr. Deans: There used to be trees there.

Ms. Gigantes: Yes, I know.

Hon. Mr. Auld: I must say that I noticed quite a difference the last time that I was there from the first time I was there.

Mr. Wildman: Certainly, it's improved a lot. We're spreading the pollution farther.

Mr. Deans: Everything improves after you leave it.

Hon. Mr. Auld: After I leave.

Mr. Wildman: I'd like to move then to some correspondence I've had with both the minister and his predecessor and the chairman of Hydro regarding a number of developments that have taken place affecting the proposed site selection process for the proposed North Channel site.

I'd like to refer to a couple of letters that I wrote and replies I've received. I understand that a Mr. Trevor Johnson of the site selection division in Ontario Hydro stated on July 6, 1978, in Blind River, that, "Hydro would like to establish a generating station in this area,"—that is the north shore—"before 1990." That was a direct quote. He gave as the reason for this that there was a power deficiency in the northeast, or there would

be by that date, and that if it were to be met from a local source, "a site should be approved in this area by 1980 and construction should start by 1983."

When I read that and talked to people at the meeting that indicated that the North Channel generating station was still a priority and yet previously Hydro had requested the ministry to change the terms of reference of the Porter commission in removing that as part of its consideration as one of the priority projects. That indicated to me it wasn't a priority, so I'm really here to get some information and try to solve some of the confusion that a lot of people have experienced in my area about what exactly are the intentions of the ministry and of Hydro.

I wrote to the minister, and also to the chairman of Hydro asking for some explanation. I received a reply written on August 14 from Mr. Baetz in which he says:

"The statements attributed to a Hydro representative in your letter of July 25, 1978, are supported by Hydro's minutes of the West Citizens' Committee meeting on July 6, 1978, at Blind River, a copy of which was received on August 9, 1978. These statements do not reflect the timetable approved by the government. Officials of my ministry are in the process of reviewing, together with Hydro officials, the various factors including timing that have to be taken into account on arriving at a revised long-term system expansion program for Ontario Hydro," which I received.

This letter dealt with a number of other things, but basically, what he's saying there is that the statements attributed to Mr. Johnson in Blind River the month previously did not reflect the position, as I understand it, of the ministry.

I also received a letter from Mr. Taylor in which he stated—and this is dated August 14. He agrees: "We are currently reviewing Hydro's long-term requirements for new generation and it was felt that the subject of the North Channel site should be held in abeyance pending the outcome of that review. This was indicated in the letter to you of August 14 from the Honourable Rueben Baetz. It may be the end of the year before we are in a position to clarify this siting issue."

Having heard that, I anticipated that as the government and Ontario Hydro completed their review, they would be able to take a position one way or the other on this siting or nonsiting of the proposed plant on the north shore.

However, after having written to me in August, Mr. Taylor, at the request of the

citizens' committee, went to Blind River on October 12, and stated that a "4,000-acre site, the Dobie Point and Burton Island land block, between Thessalon and Blind River, has been recommended for the proposed station." But he indicated that this proposal had not yet formally been presented to Hydro's board of directors or the provincial government.

I want to know what exactly is happening. Has Hydro made a final site selection decision? If it has, when is it going to make that public? If not, when do you anticipate a decision? I would like to know also whether the minister has been apprised of Hydro's present thinking in this matter?

Hon. Mr. Auld: My information is that a North Channel project was originally listed as a priority in Hydro's needs and it would be subject to a report on need by the Porter royal commission, but because the reduced load forecast came along it was removed from the priority list and consequently from those that Porter was looking at.

Perhaps Mr. Taylor can tell you exactly what happened in Blind River, but at the meeting there a couple of weeks ago, as I understand it, Hydro put forward two sites which appear to meet their needs. There is a series of public participation meetings scheduled for the next few months and when the reaction to those has been analysed, the next step would be to take whichever site is decided on, assuming they decide to proceed with one of these sites, to the Hydro board, and then if they approved, to the government, and if we approved, they would acquire it.

Mr. R. B. Taylor: I went up to Blind River in October, I've forgotten the date, and had dinner with the elected officials of the various communities, and then attended an open meeting with Mr. Reynolds.

At that time, I told them the report from the Hydro group which had been doing the study was in the mail to them. Our people would go back, give them time to review it, and then discuss it with them and get all their views before it went to the Hydro board.

It would go to the Hydro board only to get approval that this would be the preferred site if and when it was decided by all the authorities involved that one should go in the north.

Perhaps Tom Reynolds might pick up from here and give you more detail as to what went on. Is that satisfactory?

Mr. Wildman: Before he does come on, I want to ask one other thing. Once the public

input has been received and one site is chosen as preferable over another, will Hydro acquire that site as a land banking process, pending a decision some time in the future as to whether or not they are going to go ahead with a generating station?

[12:00]

Mr. R. B. Taylor: I think if Mr. Reynolds goes through the whole process your question will be answered.

Mr. Reynolds: Yes, there's been some discussion this afternoon about the Environmental Assessment Act and it's been stated a number of times that Ontario Hydro projects will come under that act. That act does require alternatives. In our opinion, one of the best and perhaps the only way to offer alternatives for location of generation is to have a number of sites which we know we can use.

(The way we know we can use them is that we have approval to acquire them and have actually acquired title and have done one or two years of significant environmental study. It's only at that point in time when they are truly alternatives. In answer to your question then, yes, we do have a policy of having a number of alternatives to comply with the act. That does entail acquiring property in advance of a commitment to actually use it.

Mr. Wildman: It does or doesn't?

Mr. Reynolds: It does. I might go back to four years ago when the study on the North Channel was initially proposed. At that time it was our intention that that would be the location of our next generation and that's why it was identified as a priority project. With the enactment of the Environmental Assessment Act we no longer had that option. We have to study a number of alternatives, and select one of those. It was not prejudged or predetermined that the North Channel would be that. However, we did decide that we should proceed to acquire the site as one of the alternatives that would be considered. It was not available. It is not available today and was not then. I'm sorry—it was then, but it is not available today and may not be in the future for the next piece of generation that we need to commit. That's why it's not a priority, so called.

Mr. Wildman: Was that made clear to the people at the meeting?

Mr. Reynolds: Yes, it certainly was. I attended the meeting on July 6 you referred to, and it was made clear again at the meeting that Mr. Taylor addressed.

Mr. Wildman: It certainly hasn't come out in the press reports. The impression that the press reports are giving of these two

meetings, the July meeting and this meeting in October, is that Hydro is going right ahead to acquire a site and, certainly from the July meeting, to build if possible, as long as they get approvals from the environmental assessment and so on. I'd like to know whether this is just the stupidity of a reporter named Dave Evans or whether he's reporting what he hears and what other people are hearing at these meetings as accurately as possible.

Mr. R. B. Taylor: I certainly don't want to get involved in making allegations concerning people. I thought we made it abundantly clear, first of all, that the report was in the mail to them. I told them the core of the report, what it said. I said: "The next thing that's going to happen is we want to leave you alone with it to study it for a while. Then our people will come back and go over it with you as carefully and as thoroughly as you want to take time to do. Then it will come back to the Ontario Hydro board and there will be the two stages. The first is the acquisition of land." Incidentally, I know you're aware that 80 per cent of the land in that site is crown land. That may or may not require an environmental assessment. We don't know. If it was acquired and we then proposed, as we probably would at some point, to put a plant on it, that would most certainly require another environmental assessment hearing.

Mr. Wildman: Okay. That was one of the next questions I was going to ask. You're not sure whether crown land comes under the act or not?

Mr. Reynolds: The question is it isn't a function of whether it's crown land or not. It's a function of whether acquisition of property is subject to the act, whether it's crown land or private land.

Mr. Wildman: But you're not really acquiring crown land, are you?

Mr. Reynolds: Oh, yes. We expect to acquire the crown land by title, so that we are assured of having it.

Hon. Mr. Auld: At market value, I might say.

Mr. R. B. Taylor: Of course, we'd negotiate with this tough customer we have.

Mr. Wildman: All right, who can answer this question then? I suppose I have to go to the legal people in the Ministry of the Environment to find out whether that acquisition is subject to environmental assessment.

Mr. Reynolds: There are some legal opinions that say it is and it will certainly be determined well in advance.

I wanted to go back to your comment on the press reporting and make a statement about having been at both meetings, I believe the reporting of the last meeting on October 2 that Mr. Taylor was at is very accurate. It's probably 90 per cent accurate. The reporting of the July 6 meeting—which, by the way, was not a public meeting but a meeting of the citizens' committee we dealt with, and the press were there—was not accurate.

Mr. Wildman: The secretary of the citizens' committee is also a former stringer for the Sault Star, I hope you know.

Mr. Reynolds: The point I wanted to make is that my assessment of the reporting I've read of those two meetings is that the last one was very accurate and the first one is not nearly as accurate.

Mr. Wildman: Okay. This is a press report in the Sault Star of Friday, October 13, titled Blind River:

"A 4,000-acre site halfway between Thessalon and Blind River has been recommended for the proposed North Channel generating station, Ontario Hydro board chairman Robert Taylor announced Thursday."

Mr. Reynolds: One hundred per cent accurate.

Mr. Wildman: Okay. "The acquisition process is expected to take two years."

Mr. Reynolds: That's after the approval.

Mr. Wildman: Okay. Unfortunately, that's not in there. I won't belabour that.

Just referring back to the meeting in July: Since the then minister wrote to me saying that the statements made by the manager of the selection were not a position approved by the government, can Hydro indicate to me what its position is on those statements?

Mr. Reynolds: If I may recapitulate what happened on July 6, as I recall, I cannot confirm whether that is an accurate quotation or not. I know what he was trying to answer with respect to questions of the citizens' committee: when there was a need for power in that region—that was in the mid-1980s with respect to supplying that need—and one of the alternatives was to build a generating plant on the North Channel site that has subsequently been identified.

He was attempting to identify for them the time frame and the process, assuming it went through from beginning to end—that is, from selection to in-service date—with no interruptions, and the minimum time frame that would be involved. I think he indicated that by 1983 we might be in a position to start design of a plant which would come into

service somewhere about 1990 at the very earliest. That is not feasible today.

Mr. Wildman: I see. Just on the accuracy question: The minister's letter confirmed to me that those statements were accurate according to the minutes of the meeting of the citizens' committee. The quotations were accurate. It is true that Mr. Johnson said that Hydro "would like" to do such and such. But then he went on to say, "A site should be approved in this area by 1980 and construction should start by 1983."

Mr. Reynolds: I believe he meant in order to comply; that's what he was referring to.

Mr. Wildman: Fine. Thank you.

To clear up whatever confusion may have occurred because of the reporting, you're at a point now where you're having the citizens' committee give you input into the particular site and, after that information is acquired, the board of directors will make a decision. Is that correct?

Mr. Reynolds: That's only partially correct, sir. The citizens' committee is only one of the groups we deal with. There is the citizens' committee. There are the elected and appointed officials of all the municipalities in the area. A copy of that report was addressed to all the MPs and MPPs, including yourself, sir—

Mr. Wildman: I have it, yes.

Mr. Reynolds: —and there will be discussions with you individually and as a group, hopefully. As a result of all of that input, we may make changes in our recommendation or we may reconfirm the recommendation we've made and submit it to our board for approval.

Mr. Wildman: Fine. I have one more question on site selection which has nothing to do with this particular proposed project but rather with the hydraulic site at Patten Post on the Mississagi River?

Hon. Mr. Auld: Which river?

Mr. Wildman: Mississagi. It's one of the largest rivers in northern Ontario. It's one of the places where Grey Owl used to hang out.

Mr. R. B. Taylor: He had a station there?

Mr. Wildman: He used to generate a lot of beaver pelts. At any rate, Patten Post is part of the outgrowth, I guess, of the Gros Cap proposal that has been talked about since the 1920s as part of the large Hydro installations out there.

As a result of the decision by Hydro to reassess the 17 or 18 hydraulic sites in the province, they sent in people. I'm meeting on Monday, I believe, with a representative of Hydro and a number of the tourist outfitters

from the area who are concerned with what Hydro's plans are. This is the specific question I have. I understand that the Ministry of Transportation and Communications has been trying to find out from Hydro what they're intending to do in that area for a number of years for a very practical reason. MTC is reconstructing Highway 129 between Thessalon and Chapleau. It's been an ongoing project for a long time.

On the last section—I'm not sure of these figures—I think they spent around \$5 million on reconstruction of highway 129. Apparently, before they went ahead with that, they contacted Hydro and said: "What are your plans in terms of further damming along the river here?" I understand that Hydro wrote back and said: "We have no plans at this time to go ahead with any further projects in the area."

I must make it clear that prior to meeting with Hydro I have no particular position one way or the other on the Patten Post site. As a matter of fact, I understand that the Gros Cap project has to be completed in order for the total capacity in that river to be utilized. I understand further that if they do go ahead with this dam, they're going to flood the area that MTC has just reconstructed.

I wonder why on earth you didn't have closer consultation with the Ministry of Transportation and Communications in terms of helping them to determine whether or not they should be spending money on this part of the highway, when they could have been spending money on the north end just south of Chapleau. If you build the dam and flood this highway, they're going to have to reconstruct the other part of the highway at a further cost and will have wasted the money they've spent so far on this particular section.

I know that MTC is not very happy with Hydro about this. They are justifying the whole thing by saying, "If they don't go ahead with this project for 10 years, they will have got 10 years out of this new highway anyway." Perhaps we'd have to resurface it considering it's in northern Ontario where the roads only last at the maximum about eight years when they don't have heavy traffic."

Mr. Haggerty: It's five years in southern Ontario.

Mr. Wildman: You've got more traffic. I'm talking about the weather up there which is the reason for it not lasting. They are justifying the expenditure of a complete reconstruction that might be flooded in this way. I know that MTC is not very happy with Hydro and I'd like to know why Hydro didn't consult more closely with MTC on

what they might be doing—I know it's not decided what they are going to do—so that MTC could have spent the money on the other end of the highway, which won't be flooded whether or not you do go ahead with the dam.

Mr. R. B. Taylor: Mr. Morison will answer that.

Mr. Riddell: It's more jobs for the job creation program.

Mr. Morison: The situation is almost exactly as you're suggesting it should be. There has been quite a lot of discussion between Hydro and MTC on this particular situation.

Mr. Wildman: Especially since they found out you were sending an engineer to look at perhaps going ahead with it after they've built the highway.

Mr. Morison: Our statements to them—and there are several letters that have gone back and forth—have tried to convey to them that we still have an interest in the Patten Post project but we could not, at that time, make a statement that we were going to build it. We suggested, which they agreed to, going to the northern sections first. In fact, that is actually what has happened. The part that they've built will not be flooded if Patten Post is built.

Mr. Wildman: The part that they're doing this year won't be, but the part they did two years ago will be.

[12:15]

Mr. Morison: No, the northern part that did two years ago will not be flooded with the building of Patten Post. They started on that part first and they have left the part of highway 129 which would be flooded if we built Patten Post. Their construction season for 1980 will be in that area, and they have written to us fairly recently asking if there are more recent decisions on this.

Mr. Wildman: Can I back up? A portion of what they completed two years ago will be flooded. They have not gone ahead with what they intended to go ahead with just north of that, but we are going ahead with the farther north end because of that possibility, and they are leaving the portion in the middle until 1980.

Mr. Morison: The portion in the middle chiefly the part that would be flooded if the plant goes ahead.

Mr. Wildman: That's right.

Mr. Morison: We have had discussions about the best possible arrangements have been made to make provision for this dam, pending a decision. Now if we were to make it

all provision for it, it would mean moving the road around the possible head pond at a substantial increase in cost.

Hon. Mr. Auld: That was about 10 or 12 years ago, wasn't it, Bill?

Mr. Morison: Yes, about 10 years ago, that discussion.

Hon. Mr. Auld: You were doing something at Aubrey Falls?

Mr. Morison: Yes, Aubrey Falls was built.

Mr. Wildman: They have been talking about it since the 1930s.

Mr. Morison: It was decided not to go ahead with Gros Cap about 1967.

Mr. Wildman: Okay, I will leave that. I have a couple of other specific questions. Can you tell me how much power Ontario Hydro sold to Great Lakes Power last year?

Hon. Mr. Auld: Has anybody got the answer to that?

Mr. McClymont: Ken McClymont, System Planning. We were selling in excess of 200 megawatts to Great Lakes Power last year. I can't give you the exact figure but it was about that number.

Mr. Wildman: Do you have the figure for how much Great Lakes paid you?

Mr. McClymont: No, I am afraid not.

Mr. Wildman: I would appreciate it if you could get me that information.

Mr. McClymont: Okay.

Mr. Wildman: Now I would like to talk a little bit about rural differentials. The former minister mentioned in the House last spring that the Ontario Energy Board was undertaking a study of Ontario Hydro's electricity costing and pricing study which had dealt with the differentials between urban and rural costs. I am going to ask the energy board about that when they appear before us, but in order to prepare me a little bit for that, could you, Mr. Taylor, indicate whether or not you agree with the statement made by Mr. Baetz to me in a letter of April 4? He said: "If Hydro rates were equalized across the entire province, some customers would experience a lower rate than at present while other customers would experience higher rates than at present."

That's pretty obvious, but then he says: "If municipal costs were pooled with rural costs and a single rate derived for all of Ontario, I am informed the amount that a rural customer's rates would be lowered would be probably minimal." Is that right or wrong?

Mr. R. B. Taylor: May I ask Mr. Gordon to take the rate matter?

Mr. Gordon: I guess it all depends on what you call minimal. I haven't got an exact figure for you, Mr. Wildman, on how much it would be reduced on that basis. Certainly it would go down. Whether it would be that significant, I can't say.

Mr. Wildman: He goes on to say that "customers served by municipal utilities who presently enjoy relatively low Hydro rates would experience increases in their rates." You don't have any figures on what that kind of increase—

Mr. Gordon: No, it's a balance-off between the high-density loads in the municipalities and the low-density loads in the rural areas. As you said before, obviously if you put in a uniform rate, the higher rates in the rural areas are going to go down to a degree and the ones in the municipality are going to have to sneak up.

Mr. Wildman: Has Hydro actually done a study to determine what the actual differences might be?

Mr. Gordon: Yes, but I haven't got those figures with me.

Mr. Wildman: Can they be supplied to the committee?

Mr. Gordon: Yes.

Mr. Wildman: All right, thank you. One of the other things I wanted to raise was a program that was mentioned earlier by the minister, the northern community electrification program. Many of us were very happy when Mr. Timbrell announced in 1976 that Hydro was going to go ahead with the installation of generators in a number of small communities in northern Ontario and that the cost of supplying the electricity would be subsidized in order to keep it down to more reasonable rates. That was really a step forward. I commended the ministry and I think everyone from the north supported that program and commended Hydro for its participation.

However, in 1977 those rates were substantially increased, a year after the program started, in my area at least, in the town of Oba. I understand that in 1977 there was a net operating loss of \$104,710. Hydro projected that "continued operation at the present rates would have produced an estimated loss of \$253,229 in 1978." As a result, there was a decision to increase the rates and to increase them substantially. The restricted residential service rate was increased by 11.6 per cent from the 1977 rate and the commercial rate by 14.3 per cent.

Mr. J. Reed: Are these diesel generators?

Mr. Wildman: Yes. We all understand it's very expensive to produce the power in this way, especially for small places, but the point of the whole program was that it was subsidized to try to lower that cost. I understand the reasoning behind this was a fear that you would go over your limit, which I believe is \$220 per restricted residential customer, for the rate of loss, and as a result, in order to keep it under that limit, you had these increases.

I have a number of questions. First, what has been the net effect of these rate increases, or are you in a position yet to determine that? Where does this \$220 limit come from?

Hon. Mr. Auld: I haven't that information. I don't know whether you have the detailed information with you.

Mr. Gordon: No, we haven't.

Hon. Mr. Auld: The basis of the policy was that if there were 25 or more consumers we would establish electrical assistance. As I recall it, there was a maximum—

Mr. Wildman: There are different rates for fly-in areas as opposed to road and rail access areas.

Hon. Mr. Auld: Yes, and to keep the generating capacity within reason there were certain restrictions on the kind of load and uses and so on, and I think originally a base figure as to what the average cost per consumer should be. However, I don't think this was to be an unchangeable figure. I think the government policy was that the subsidy would vary. If costs went up, the subsidy would not be increased to cover those costs.

Mr. Wildman: That is basically my question. Why not?

Hon. Mr. Auld: They've started on the basis of a subsidy in comparison to other consumers. If other consumers' costs were going up, all consumers' costs would go up. There was a basic sort of percentage subsidy as between the remote communities and others. But that ratio would continue; it would not increase.

Mr. Wildman: I have a copy of a letter here from D. J. Gordon of Hydro to Mr. Rowan, dated June 20, 1978, in which he states: "I should point out that the current forecast," that is, with the increases, "indicate average total energy supply cost per kilowatt hour of 20.4 cents in the road/rail access communities and 26.8 cents in the air access communities. If these forecasts prove to be correct, rates in the road/rail communities should have a further increase

to ensure a fair distribution of revenues from the two community groups."

I am asking basically if you anticipate another increase this year, that is, for 1979 for those communities. If so, what would be the magnitude?

Hon. Mr. Auld: I would assume that if the policy continues and there was a rate increase elsewhere in the province, as there has been, then there would be an increase there. As to the amount of it, I really don't know.

Mr. Gordon: Yes, that's right. As costs go up, the rates have to go up to take care of it but we haven't got any figures on the magnitude of that right now.

Mr. J. Reed: May I ask a supplemental in connection with remote plants? Is the utility doing any research and development work into a technology such as the destructive distillation of wood in order to power generating facilities in remote areas? Destructive distillation of wood, it seems to me, is an area where there's a lot of it around would provide employment in that community as well as the generating power. I realize it's a technology that's been used only very sparingly in Ontario. Some years ago it was used more extensively in Africa in power mining operations and so on. But the technology's well in hand, and there's nothing unusual in it.

Mr. Morison: We took part in a study under the direction of the Minister of Energy to see if fluids from biomass could be made economic for generation.

Mr. J. Reed: With respect, I'm not talking about fluids at all.

Mr. Morison: You're talking about?

Mr. J. Reed: Production of producer gas by the destructive distillation of wood in order to power internal combustion engines.

Mr. Morison: No, we haven't ourselves done any research work, as far as I know, nor any significant studies. We've looked at what other people have done. Any of our analyses have shown that this is more expensive than other ways of producing.

Mr. J. Reed: Than diesel fuel at \$3 a gallon or whatever?

Mr. Morison: It's more expensive than diesel at a dollar a gallon.

Mr. Wildman: In that connection, I have one particular case to raise. I was raising the whole question of the rates for the whole of the north in the areas that are served by this program. It's a very good program and it's a very important one and that has real

changed the face of some of these communities.

Mr. Chairman: Mr. Wildman, in order to be fair, we agreed at 12.30 to adjourn. Go ahead if it could be answered in that time, or you could ask it tomorrow.

Mr. Wildman: I am just saying that a lot of people are starting, I suppose you could say, to look a gift horse in the mouth and say, "Is it worth it if it's going to cost us this kind of money?" A lot of the people you are talking about don't have a great deal of money.

[2:30]

Just to give one particular case, in Obabek, which has one of the first generators installed, there are a number of houses there built by the CN for their employees, and their employees pay the utilities. I understand that because they were over the 30-amp level that Hydro uses for the residential rate they had to pay the commercial rate. I have a situation here where a Mr. Stan Baxter, for 48 days of consumption of power, paid a bill of \$70. That was not electric heat, I might point out. It was just for appliances, TV, lights, and starting the furnace motor I suppose. That's kind of high if you consider the rate increases.

Ms. Gigantes: And he doesn't have a family—he's a bachelor.

Mr. Wildman: That's right, it's not as if he has children and he's paying for washing and drying of clothes and washing diapers and that sort of thing. He doesn't have any of that stuff. I asked the former minister to look into this and try to determine why these CN houses had to pay the commercial rate rather than the residential rate, and he just wrote back telling me how they were subsidizing the residential rate—which is great, these people don't pay the residential rate.

I think this was an unacceptable answer and I would like to know if anything has been done since that time. I understand CN is looking at changing the amp situation, but has anything been looked at by the minister,

or by Hydro, subsequent to my letter to Mr. Baetz, or was his reply that they would subsidize the residential rate the sum total of what Energy decided to do about the problem?

Hon. Mr. Auld: I'll look into it too, but my understanding is that probably the reason that he has a commercial rate is that on the service entrance there's a breaker and if you draw more than a certain amount then it cuts out. He, one assumes, decided that he might be wanting to draw more than the maximum for residential and so he opted—

Mr. Wildman: Can I interrupt just for a moment? He didn't make any decision. CN did. They built a whole bunch of houses all over the north, not just in this place, and they are the ones that made the decision. Then their employees get into the house—sure, it's subsidized rent for the company, I'll admit that, but they pay the utility. They had no decision over what kind of service would be put into the homes.

Hon. Mr. Auld: Just offhand I can't give you a fast solution, but we will inquire. It may be that CN would be prepared to change that.

Mr. Wildman: I think they are looking at it, but I must say I was pretty unhappy with Mr. Baetz's reply to me. I made it quite clear I was talking about the people having to pay a commercial rate and he wrote back and told me how you were subsidizing the residential rate, which was hardly an adequate reply. Thank you, that's all I had to say.

Hon. Mr. Auld: I can assure you that this is not one of the places where Hydro is anxious to sell more electricity.

Mr. Acting Chairman: I think the chair would like to take this opportunity of thanking the minister, members of the committee and members of Hydro for their attendance this morning. The meeting is adjourned until 8 o'clock tomorrow evening.

The committee adjourned at 12:35 p.m.

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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Energy

Second Session, 31st Parliament

Thursday, October 26, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, OCTOBER 26, 1978

The committee met at 8:05 p.m.

ESTIMATES, MINISTRY OF ENERGY

(continued)

Mr. Chairman: We now have a quorum. Then we adjourned yesterday afternoon, Mr. Haggerty had the floor. Would you like to continue, Mr. Haggerty, please?

Mr. Haggerty: I didn't have anything to say the other day, but I have about six questions I want—

Mr. Chairman: Short ones, Mr. Haggerty?

Mr. Haggerty: —to direct to you through the chairman of Ontario Hydro, Mr. Taylor. What is your final date for reconstruction of hydro utilities throughout Ontario, particularly the southern part of Ontario? Do you have any date set for the complete restructuring of the hydro in Ontario?

Hon. Mr. Auld: I might answer that, Ray, because it has to do with legislation. The target is the end of the spring session, 1979.

Mr. Haggerty: And how many communities or how many municipalities would that include?

Hon. Mr. Auld: There are 11 in total. Look, at the spring of 1979, we're talking about Milton-Wentworth, Halton, Durham and Simsbury. We hope to do Niagara this fall and Caledonia-Carleton will start this fall, perhaps next spring.

Mr. Haggerty: What about southwestern Ontario? Anything in that particular area?

Hon. Mr. Auld: There is no restructuring.

Mr. Haggerty: You're going to leave Chatham out again, are you?

Hon. Mr. Auld: There aren't any more regional municipalities there, so there isn't anything more to be done.

Mr. Haggerty: Kitchener has been completed already.

Hon. Mr. Auld: Kitchener-Waterloo, Peel, Oxford and York have been done.

Mr. Haggerty: You have most likely just left the regional municipalities. You are not considering any further restructuring throughout any county in the province?

Hon. Mr. Auld: If there are any restructured counties, I don't know of any others that are in the works.

Mr. Haggerty: Is there any possibility that through the restructuring of hydro utilities in Ontario you may pretty well hit about one half of Ontario? I'm talking about the southern part of Ontario. Is there any possibility that this could cause further difficulty to rural customers by weakening the sharing of hydro costs across the province?

Hon. Mr. Auld: We are all aware of the differences and the way the current system works. I don't know what will come out of the hearings the Ontario Energy Board is now carrying out regarding costing, pricing and that sort of thing, or what recommendations or report will result and what the government and/or Hydro might do about it. So I really can't answer that.

If the basis of your question is, is there any plan afoot at the moment to reduce the difference between the rates in scattered rural areas and those in concentrated urban areas, I am aware of nothing other than the hearings going on to get a little better handle on some of the alternatives.

Mr. Haggerty: So there is nothing you are aware of where consideration would be given to some equalization of the rates from rural customers to urban customers in Ontario, except perhaps through restructuring?

Hon. Mr. Auld: Just what may come about through the restructuring that is in progress. That is the only place where there is likely to be a change, depending on what happens at the option of the municipalities in those areas where it is being restructured in a lower-tier rather than a single-tier form.

Mr. Haggerty: With respect to the restructuring of hydro utilities already in force, and those being programmed or planned for future legislation, does Ontario Hydro give up its direct customers in this type of transitional period?

Mr. Gordon: If the municipality becomes large enough, it's a possibility. It is a question of whether the municipality wants them in the first place because they can help in some cases and adversely affect their financial position in other cases. And there is the question of the customer himself, in moving over. It really is the responsibility of the municipality.

Mr. Haggerty: I know of a municipality within the Erie riding that has had some direct customers passed on by Ontario Hydro. When the rate change finally came through to the direct customer, it had increased some 600 per cent. The next question is, are there cases where you have direct customers who were given a power agreement, signed some 10 or 15 years ago, which has never been updated to reflect present economic conditions? Are there any such long-term arrangements?

Mr. Gordon: No, I'm sure we've cleaned up all of those long-term contracts. There were some over in the Niagara area, as you probably are aware; they expired about the mid '50s. I think the last one was in 1960, as a matter of fact.

[8:15]

Mr. Haggerty: Are there any other—

Mr. Gordon: The ones now are on an annual rate review clause.

Mr. Haggerty: I was just wondering. In this particular instance, when it was taken over by a local utility, they had to increase the rates 600 per cent because apparently they were almost getting power for nothing.

Mr. Gordon: I'm not aware of the case you mention.

Mr. Haggerty: The National Harbour Board in Port Colborne was one of them. Apparently they had a long-term contract with Ontario Hydro.

Mr. Gordon: Yes, I think you're correct that that was one of the customers that had a long-term contract.

Mr. Haggerty: Based upon the rates about 1960?

Mr. Gordon: That's right. It was a fixed-price contract.

Mr. Haggerty: Are there any more of those in Ontario?

Mr. Gordon: If there are, they're very small. I think we have them all cleaned up now.

Mr. Haggerty: Small in numbers, or small in size?

Mr. Gordon: Small in size.

Mr. Haggerty: Mr. Chairman, I would like to ask the minister, regarding the cost of borrowing money for Hydro purposes for building and constructing new plant facilities and so on in Ontario, what is the present cost of, say, the interest on borrowed money? I'm thinking in particular of the money that is being borrowed on the American market. Would you have any recollection of how

much it is costing us on the exchange on the American dollar?

Hon. Mr. Auld: I don't have the figure in front of me. Perhaps the chairman of Hydro has.

Mr. R. B. Taylor: Yes, I do. For this year, our interest cost on American dollar borrowings will be \$430 million. Which means that for every one-cent change in the valuations of the currency, it will be \$4.5 million more.

Mr. Haggerty: Let me get this straight. This is on one percentage point change?

Mr. R. B. Taylor: Yes, if we have to pay \$430 million this year in interest on our US dollar borrowings, and the Canadian dollar falls by one cent, then that's about \$4.5 million—\$4.3 million, which is just one one hundredth of the total cost.

Mr. Haggerty: If we're looking at 15 per cent exchange on the Canadian dollar—

Mr. R. B. Taylor: If it were a 15 per cent exchange, it would be \$60 million.

Mr. Haggerty: Has Hydro, in looking at other alternatives, considered financing its program from capital in Ontario or in Canada?

Mr. R. B. Taylor: Borrowing our money in Canada instead of foreign money? Yes, we do, and have always done that. But there is a limit to which one name can go on the Canadian market. This year, something like 56 per cent of our borrowings will be in Canada, 33 per cent will be in the United States and the rest will be offshore. I'm not sure whether I'm telling you the figures for this year, or a total; but they are roughly that.

We always go first to the Canadian market but we don't try to go too far in the Canadian market so that we stretch our capacity and so run into higher costs. But we have found over the years that we have been very welcome in the American market, and that is our second recourse.

Mr. Haggerty: Looking at that figure though, we're paying about 25 per cent on our money right now for borrowed money from the United States.

Mr. R. B. Taylor: The money from the United States certainly is more expensive now in terms of the interest cost. That's true. We don't know what it will be when it matures because one hopes that the Canadian dollar will be back up; but that lies in the future.

Mr. Haggerty: I was looking at one of the bank statements—I think it was one of the Canadian Imperial Bank of Commerce monthly statements—which was looking at the sav

gs that there are in Canada. I think that's within the bank's holdings, it amounts to about \$42 billion, and 50 per cent of that is found in Ontario. I am just wondering whether it isn't time that the government of Ontario started looking in Ontario for an alternative source of finance for much of this program to make use of that money there, instead of going to the foreign market, which is getting too damned expensive.

Mr. R. B. Taylor: We're watching that all the time. Believe me, we'd rather borrow in a currency that doesn't give us the risk of a change in valuation. But there's just so much we can get out of the Canadian market without spoiling it.

Mr. Haggerty: I recall, Newfoundland Hydro was issuing debentures, borrowing money and giving it on the market for about 10¾ per cent. They were selling these debentures for about \$100.

Does Hydro break down its debentures so they would be within the reach of the average working man in the province of Ontario? Can he get them at \$100, or is it a \$1,000 or \$5,000 debenture issue?

Mr. R. B. Taylor: I believe \$1,000 is the lowest denomination we issue.

Mr. Haggerty: Have you considered going to a lower denomination so you could tap that reserve?

Mr. R. B. Taylor: Yes, we have. We think it can be tapped in other ways, through the middleman money institutions such as the one you mentioned, the insurance companies and so on. But it has never proved to be economical or sensible for Ontario to try to sell \$100 savings bonds.

Mr. Haggerty: Has Hydro or the government given any consideration to tapping this source of revenue, perhaps giving the person paying them tax-free interest for a period of five or 10 years? In the long run, we would be further ahead financing from within the province.

Mr. R. B. Taylor: For tax-free interest you would have to get the co-operation of the federal government too.

Mr. Haggerty: I don't know. Perhaps there are alternatives here to going to the American market and paying 25 per cent on our money; perhaps we could give a break to some of the people in Ontario who should invest in such a program.

Hon. Mr. Auld: The provincial governments and the federal government have a better credit rating, generally speaking, than the municipalities and other borrowers and that would be a real problem if the senior

governments, and I'm considering Hydro as a senior government inasmuch as the province guarantees it, took all that money. That is one of the things the Treasurer and the Minister of Finance have to keep in mind when Brockville and Metro and Niagara Falls and various other places are raising debentures for any one of a variety of things.

Although the feds do it, issuing small denominations dries up a source for the smaller municipalities and smaller borrowers to tap. Generally speaking, you find a higher interest rate; as Mr. Taylor said, it's more costly for the borrower because you're dealing with more transactions and so on. The treasurers and ministers of finance always have to keep in mind that government borrowers shouldn't take all the money that's available. And there's the private sector with debentures and bonds for expansion and creating jobs et cetera.

Mr. Haggerty: This is one of the reasons why we have the financial problems Canada now faces. Almost every province goes to the foreign market to borrow money to finance its schemes, to finance its projects. When you sit back and look at it, it's money leaving the country.

Mr. R. B. Taylor: There's money coming into the country.

Mr. Haggerty: Pardon?

Mr. R. B. Taylor: It's money coming into the country. It's money going out to service the debt; that's right.

Mr. Haggerty: But it's Canadian money that's leaving the country too, you know.

Mr. R. B. Taylor: The interest money, yes.

Mr. Haggerty: That's right.

Look at New York State, for example. I can't recall that they've gone out and built any new electrical plants there. I'm thinking of the Niagara Falls area. They pretty well depend on the surplus hydro they can pick up in Ontario and Quebec. If you look at it that way, without spending heavy capital to build extra plants over there, they can get us to go there and borrow the money in the first place, pay the 25 per cent and they get cheap surplus hydro. They're getting a good deal, aren't they?

Mr. R. B. Taylor: New York would just dearly love to build a nuclear plant if they could get the clearance. However, if I were an investment adviser, I would advise people to invest in something like Canada Savings Bonds where you can always get your capital.

Mr. Deans: Wait until I get to my seat. I want to hear what you are going to give

advice on. I want to find out what to do with it.

Mr. R. B. Taylor: Give it to me.

Mr. Haggerty: He's got money to burn over there.

Mr. Deans: What was your advice again? Would you start at the beginning?

Hon. Mr. Auld: You've got 20 minutes to get a couple of Wintario tickets.

Mr. Deans: Since you're doing nothing would you go and get me two?

Hon. Mr. Auld: I've got two books. I might split a couple with you.

Mr. Deans: Have you got two books?

Mr. Chairman: I just happen to have some.

Hon. Mr. Auld: You just happen to have some?

Mr. R. B. Taylor: What I was about to say was I would advise against taking out \$100 or \$200 or \$500 debentures. I, as an investment adviser, would not advise people to invest in 30-year Hydro bonds at something like nine and a half per cent when they can buy Canada Savings Bonds at nine and a quarter per cent and get their money back at any time in capital. You see, Hydro bonds will vary as the market interest rates vary over the years.

Mr. Haggerty: You don't sell them all at 30 years though? You float some.

Mr. R. B. Taylor: We sell every one we can and a remarkably large portion of our debt is out for 25 and 30 years. We do have some money market operations. I believe at the moment we have something like \$100 million out in money market securities but these are not for the small investor either.

Mr. Haggerty: We financed the Second World War with \$5 and \$10 bonds put on the market for the average person to buy. They raised enough money during the war years in this manner. So there have been examples set to tap that resource. It is costing us more money to go to the foreign market, the American markets, to get it. Maybe you should be looking at these other alternatives where you can get some investment from people in the province of Ontario.

Mr. R. B. Taylor: We watch that very closely in conjunction with Mr. Miller's people and our investment advisers.

Mr. Haggerty: The other matter I want to deal with is the long-range forecast. I believe you had a report which came out in June 1976, report no. 573, the Ontario Hydro East System. In that particular report you had about nine sites, and I'm just quoting from memory now, picked for new fossil

fuel plants or nuclear plants. You had one up around Ipperwash on Lake Huron. You had one down south of London, around Rideau Park or in that area. You had two suggested in the Niagara Peninsula, one dot on the plan showed a site around the Sir Adam Beck plant on the Niagara River. You had one located east of Point Abino which would be either in the town or on the boundary of Port Colborne and Fort Erie. This was alternative nine. Hydro suggested this would be a site for a nuclear plant. How exact are these studies and reports?

Mr. R. B. Taylor: They're not exact at all. They're just indicative of possibilities. You could you speak to that?

Mr. Reynolds: Mr. Chairman, my name is Tom Reynolds, director of the route and site selection division of Ontario Hydro. Mr. Haggerty, as I described yesterday to your neighbour, I think it was Mr. Riddell, we have a number of scenarios in that study to which you refer. What you're reflecting on are alternative scenarios. We have no definite plan. I believe the chairman wrote to you some time ago in response to a letter you wrote, to indicate there were no definite plans. There's been no change since then.

Mr. Haggerty: But one of the letters, either from the chairman or from the Minister of Energy at that time, did indicate that if further consideration were given we could be assured there would be an environmental hearing. But that left it open. Are you thinking that this will still be a site 10 years from now? Will there be a possible nuclear plant site on Lake Erie?

[8:30]

Mr. Reynolds: As I described yesterday we have studies in southwestern Ontario which reach from Niagara Falls right around to the Georgian Bay coast in the Parry Sound area. These include the alternatives that you're describing, the alternatives Mr. Riddell was concerned about and other alternatives on the southern Georgian Bay area. There are all potential alternatives and there is the possibility of us considering them all.

Mr. Haggerty: I notice you cover pretty well all the open spaces on any of the lakes though. In almost every place there has been recreation land or parkland there.

Mr. Reynolds: Of course there's always some land used on these locations. We've identified the locations where we think there is some potential as opposed to locations where there's no potential.

Mr. Mancini: Mr. Chairman, I would like to ask the committee if they would let me improve

in them for just five minutes. Unfortunately I have a flight to catch and if I don't get my piece in right now I'll never have a chance to get it in again.

Mr. Chairman: Well, that will give us a chance to cut Mr. Haggerty off, too.

Mr. Mancini: Thank you very much. I thank the committee for their indulgence.

I have a problem I would like to discuss with the chairman of Hydro, which I thought could have been resolved amiably and some goodwill built up at the same time. I'd like to make the chairman aware of a letter that was sent to myself—a copy of a letter that was sent to myself and to a Grant Bainbridge from the Builders' Exchange of Leamington. I had to do with the moving of the inspection office for Ontario Hydro from Essex to the city of Windsor. We realize the move that office has saved considerable money for Ontario Hydro and the builders' exchange had voiced opposition to the move. But in the spirit of goodwill and reason and co-operation they said they would no longer oppose the move if they could have a simple Zenith line or a WATS line put into the system so they wouldn't have to call long distance every time they had to call the electrical inspection department.

I have had correspondence with the chairman. Maybe he recalls—if he doesn't he can check the files when he gets a chance—a meeting was set up by the Builders' Exchange of Leamington and area, and a Mr. Duncan was asked to represent the electrical inspection department of Hydro at this meeting. This meeting took place a couple of days ago after three or four months of correspondence. I say with great respect, sir, that I have never met this Mr. Duncan but he certainly didn't do any kind of public relations work for you, he didn't build up any kind of goodwill. I received a phone call the morning after the meeting from the builders' exchange and I can tell you in no uncertain terms they were pretty hot. I don't know what this Mr. Duncan does or who he thinks he is. He first of all had better remember that he is a civil servant and that he works on behalf of the people of Ontario.

It was mentioned at that meeting by two or three people that I spoke to that he went there with his mind made up, he was arrogant and he wasn't about to listen to anything the people of the area had to tell him. It was mentioned at the meeting that the move of the office would save \$75,000 total and that a WATS line or a Zenith line would possibly cost \$200 or \$300 a month, which would mean \$2,000 or \$3,000 a year. We think this is a fair exchange, a saving of \$75,000 a year

in exchange for a \$3,000 cost, which would make both sides reasonably happy.

I say to you, sir, that he has upset just about the whole of the builders' exchange and we certainly don't want him in the area again. But we want to put our case to you personally that you move the office from Windsor. The builders for two or three months have written correspondence, and we need this WATS line. That's basically my case. I hope you can see fit to grant us this small measure, having seen that we've already agreed with you that a saving of \$75,000 is reasonable. That's all, thank you.

Mr. R. B. Taylor: Mr. Chairman, I do remember the correspondence very well. I have not heard of this case for some time and I thought it was all concluded. I'm disturbed to hear what you have to report, and you can be sure that I'll look into it. Should I get in touch with you when I get some of the facts?

Mr. Mancini: Yes, please.

Mr. R. B. Taylor: I certainly will. This is most disappointing to hear but as you can understand I would like to have the other side of the story too.

Mr. Mancini: Exactly, that's fine. Thank you, Mr. Chairman and committee.

Mr. Chairman: Thank you, Mr. Mancini. Mr. Haggerty, you are all through, are you?

Mr. Haggerty: No, I have two more questions.

Mr. Chairman: Oh, you have a few more comments.

Mr. Haggerty: Yes, Mr. Chairman. I want to ask the minister, or perhaps the chairman of Ontario Hydro, about the difficulties they have encountered at the Nanticoke generating station. From what one reads in the paper, half the plant has been shut down since it first came on stream back in 1974. Has that problem been corrected now?

Mr. R. B. Taylor: I believe it's in the course of being corrected. We know what it is. I would like Mr. Morison to speak to it if he would please.

Mr. Haggerty: It was a problem with the skyhooks, was it?

Mr. R. B. Taylor: There are always problems with skyhooks. There is no place to hang them.

Mr. Morison: Bill Morison, director of design and development division of Ontario Hydro. The problem that we have at Nanticoke is with the rotors of the turbo-generators. The rotors were found to develop cracks in the centre portion of the rotor after having been operated for some time. It was required

that we take the rotors out and ship them back to the supplier to have the steel wedges in the rotors replaced with aluminum wedges. This has to go to Britain and come back. This program of repairing these rotors is well under way now. There are some rotors in Britain and some in Canada that need repair.

Mr. Haggerty: Is this a manufacturing fault?

Mr. Morison: Yes, it is a design fault in the manufacture. There's a generic fault in the design of the unit.

Mr. Haggerty: Who is picking up the tab for the cost of the shutdown and the rebuilding of these turbines?

Mr. Morison: There were seven units out of the eight that were in this category. The supplier has agreed to do the repairs on all seven units. Two of the repairs were done in the plant by a method called cutouts. These areas at the end of the wedges were cut out by a little milling machine and he did that at his expense. The other five of the seven are being shipped to Britain for replacement by using aluminum wedges instead of the steel wedges. The two that were repaired in the plant are also going to be done in Britain with aluminum wedges. That's an option. We could have left the previous cutout repair but it was judged by our engineers that it would be preferable to do all seven the same way. It's considered to be a better fix than the fix that was done on the first two units. So for the last two, we're picking up the difference.

Mr. Haggerty: How long is each one of these units out while they are in for repairs?

Mr. Morison: It will be several months from the time it comes down. We have to take it out of the rotor and then ship it over to Britain, get it repaired and then shipped back.

Mr. Haggerty: Several months. Is that six, seven or eight months?

Mr. Morison: I think three or four months is the time to go through a unit. We won't have finished the program until some time in late 1979.

Mr. Haggerty: You haven't had too much success then at the Nanticoke plant, have you? I mean, it's been shut down and it's been put back into operation. It's run at perhaps quarter capacity and maybe even less than that. I don't know.

Mr. Morison: We've had several problems. The two main problems we've had were with the boilers and with the turbo-generators, both supplier problems.

Mr. Haggerty: The seven units have been shut down all at once or in just stages or what? You can't run them I suppose, if they're not functioning right, can you?

Mr. Morison: The plan to replace the rotors is a gradual one, that is to cycle them through. We did have difficulty—I believe—was the winter of 1976—with the boiler when we found the hanger rods were cracked and we had to shut down a number of the units to make sure that we are not endangering the plant at that time.

Mr. Haggerty: Why was there a difference in design in that particular type of a plant, the conventional design that's worked pretty well with, say, the Clark Keith plant in Windsor and other fossil-fuel plants? You never had any difficulties with those that I'm aware of. All of a sudden we seem to have gone to a new design that—I said something about skyhook, hanging them from the ceiling—something like that—that hasn't been too successful.

Mr. Morison: Virtually all big boilers are suspended from the tops of the plants, that when they heat up, the bottom part will expand downward. That's the same in all plants. But the suspension system, in the case of the Nanticoke boilers, there are stainless steel rods that hold the boiler up. A long portion of the rods was in the hot gas that exits from the boiler. The expansion of the rods caused some differential movement and overloading on certain rods. This was an unusual problem. It took quite a bit of investigation to find out what it was; there was that much difference between a normal suspension system and the one that was devised by the supplier here. But they overlooked the difficulty of coping with this expansion.

Mr. Haggerty: What would you say would be the cost in lost energy output from the plant then, if it would have been running at full production when it came originally on stream? We've lost quite a bit in electricity output, haven't we?

Mr. Morison: We were able to effect some temporary repairs to provide capacity and energy to meet our needs and also to provide at the time some export power. I don't know whether I'm in a position to say whether there was any known loss. Certainly couldn't operate at full capacity, but supplied power, as far as I know, throughout that whole period to all the customers that we had.

Mr. Haggerty: Could any of this material—the boilers or the turbines, have been manufactured here in Canada?

Mr. Morison: The boilers were designed in Canada. There was some design work done in the US for the boilers, but all the manufacture and basic design of the plant was done in Canada by the supplier.

Mr. Haggerty: That's all I have on that. The other area I wanted to discuss is that I think Hydro has some responsibility in the disposal of PCBs. Has Ontario Hydro done any study in this particular area at all to find some safe method of disposing of this toxic waste?

Mr. Chairman: Is there anyone here to answer Mr. Haggerty's question?

Mr. Gordon: We've been doing work with the municipal utilities. After that fire occurred in Toronto, there was work done between ourselves and the municipal utilities to clear up the procedures to deal with this, and we've been working with the Ministry of the Environment in doing so. At the present time we're simply storing it. The method of disposing of it seems to be by high temperature burning and to actually break down the material. Some research work is being done on that. We were looking at the possibility—we haven't reached any decision on it yet—but of actually doing that in some of our plants.

Mr. Haggerty: The reason I asked the question is that you said it has to be disposed of by extensive heat. Is there any possibility that you couldn't use it, say, to burn in your oil-fired plants in the area?

Mr. Gordon: That's what we were examining.

Mr. Haggerty: You're just examining it now though?

Mr. Gordon: Yes.

Mr. Haggerty: Is there any known process of disposing of it in a safe manner in the United States?

Mr. Gordon: I don't know whether they are burning it down there or not, Mr. Haggerty.

[45]

Mr. Haggerty: You're just now giving consideration to the fact you could be disposing of it, perhaps burning it along with your crude oil?

Mr. Morison: There is a high-temperature incinerator in the US that does dispose of some of this material, but you have to operate at very high temperatures to get the breakdown Mr. Gordon talked about. There is some question as to whether the complete breakdown would take place at the temperatures at which we have to operate our

boilers. People are very cautious about a small amount of the PCBs not being broken down.

Mr. Haggerty: What are the temperatures on your boilers at the firebox?

Mr. Morison: The highest temperature is about 2,200 fahrenheit.

Mr. Haggerty: My expert to the left tells me that is in the safe range to dispose of it.

Mr. Morison: It's not proven if you fired with this oil, that temperatures throughout the boiler are high enough to create a complete breakdown. That has to be studied to ensure it's okay.

Mr. Deans: At this point in time there's no information to show the temperatures at which normal hydro boilers operate would generate sufficient heat. That's the problem. There's no question about it. It's not a matter of whether there is some doubt. There's no doubt at the moment that the temperatures at which we operate our boilers do not create sufficient heat. You wouldn't want to run the risk.

Ms. Bryden: I dropped in this afternoon to a conference Environment Canada is having at the Park Plaza on PCBs and other waste disposal. It was reported there that there is no facility in the United States destroying PCBs any more. The ones that were incinerating them have been closed down for a variety of reasons. So we are faced with a storage problem until some facility for destroying them is developed, either here in Canada or in the United States.

Mr. Morison: We can no longer ship them to the United States and have them destroyed.

Mr. Deans: You can't do it. Why don't you just tell them you can't do it? Don't leave them with the impression that somehow or other there's a chance. You can't. You haven't got the power. You haven't got the heat. You don't generate that much heat.

Mr. Morison: I would think a high-temperature incinerator could be designed to operate at a temperature high enough to destroy them. We do not have such a facility, nor is there one in Canada.

Ms. Bryden: Do you have any idea of the cost of developing such an incinerator? Is Hydro studying this?

Mr. Morison: We're working on a task group on this problem of incineration and destruction or disposal of the materials. There's also a possibility of some chemical means of changing the composition from PCBs.

Mr. Haggerty: When can we expect some definite progress in this particular area?

Mr. R. B. Taylor: They are due to report this fall.

Mr. Deans: I want to ask the minister just a couple of questions. Could you give me some clear indication, on the record, of how many people in the construction work force have been laid off at the Bruce nuclear plant?

Hon. Mr. Auld: You mean in the heavy water plant?

Mr. Deans: How many people have been laid off in fact in all the construction currently going on at the Bruce site? How many are the direct responsibility of Hydro? How many are the responsibility of either Lummus or subcontractors? What is the reason for the layoffs?

Hon. Mr. Auld: I would ask Mr. Morison, are you familiar with the numbers there?

Mr. Morison: I certainly don't have the numbers with me.

Mr. Deans: I'm sorry. I had hoped to be able to ask it the other day and give you time to find them. Let me put it to you this way rather than take up a lot of time. I'd like to know how many people who were on site 30 days ago are no longer there? What were the job classifications? Who employed them? What was the reason for the layoffs in order that we can come to grips with some rather nasty rumours that seem to be circulating around about the intent and the reason for the layoffs?

I was interested in reading for example—and this doesn't affect you, a comment of the minister. I'll be damned if I can see it now that I want to quote it. Do you remember making a statement one day last week or the week before in Hanover, where you were talking about your intention to go ahead with the heavy water plant?

Hon. Mr. Auld: I know I made a speech in Hanover.

Mr. Deans: Yes, Hanover. I don't see the actual comment, but you made this statement that you were not going to be party to making the employees—here we are. The minister said the provincial government would never “play fast and loose with the livelihood of workers and, as has been suggested, use them as pawns in our negotiations with the federal government.

Hon. Mr. Auld: That is a correct quote.

Mr. Deans: I assumed it was. I noticed the quotes. It sounded like something you would say. Even the words were yours. I could pick them up from years of listening. I thought to myself when I read it, now there's

a good statement. Then I began to wonder about the layoffs and the rumours. Rumours are difficult to come to grips with and I can appreciate that you neither start them nor encourage them, but you can probably stop them. My recollection, if you will forgive me, is that during the Hydro committee hearings we had placed before us a schedule which showed that there was now to be a decrease of the work force over a period of time because we had reached a point in construction where we no longer needed quite as many people in a number of different categories and, notwithstanding whatever was to be recommended or implemented, there would be a fairly dramatic decrease in the numbers of persons who were on the site working in the construction industry.

Hon. Mr. Auld: Remember there are two projects going on there. The heavy water or was the one that I was referring to and I was referring to it in the context of La Prairie and what the feds were doing and the Port Hope commission report which talked about Ontario's needs for heavy water. I will send you a copy of that great speech—with no reference—

Mr. Deans: No, I read it. One more copy wouldn't be appreciated.

Hon. Mr. Auld: Page 10 is where the goodies are on that one.

Mr. Deans: Page 10 was where the statements were.

Hon. Mr. Auld: And 10A. But 10 was good we put in 10A.

Mr. Deans: It was an afterthought. That's what the A was for, 10 afterthought.

Hon. Mr. Auld: I was talking about the heavy water operation and saying that I didn't think we should be making a fast decision until we saw what happened with the Atomic Energy of Canada Limited program relating to Korea, Romania, Japan and a few other places where they are negotiating because they will need heavy water there.

Mr. Deans: I don't want to put words in your mouth.

Hon. Mr. Auld: You are right. There were a lot of rumours going around—

Mr. Deans: Nasty, nasty rumours.

Hon. Mr. Auld: —in Bruce of the whole place being shut down and all kinds of things. That's one of the reasons I went to Hanover.

Mr. Deans: It was just awful.

Mr. Morison: Could I just make a comment? I don't have the numbers, but the two heavy water plants, the B plant and the

plant, were being built at the same time, that is, there were crews on both. The B plant is very close to completion. There has been a long-term plan that some of those people would transfer to the D plant, but we don't need the whole workforce to finish the plant; so there was a natural reduction staff planned at this time. The B plant is supposed to be basically completed the end of this year and there will be a number of people that will be laid off as a result of the completion.

Mr. Deans: What I am asking, I suppose, is to just give us some information. You don't have to come back to tell us; you can give it with the committee. I don't want to keep dragging you back: I know you are busy—I hope you are busy, anyway. If you would just file it with us, it would be useful so that we could see what you intended to do with regard to the reduction of the workforce, what actually had happened over the last 30 to 45 days in terms of the reduction of the workforce.

It might be useful if the minister could spend a moment or two and tell us just what is that you have in mind. You seem to be going to finish it. The headline says you are going to finish it, and I assume the headline reflects accurately what you said. I read the copy.

Hon. Mr. Auld: If you had read the speech in, you would know what I said.

Mr. Deans: I read it. It was boring.

Hon. Mr. Auld: I said that we shouldn't be making any quick decisions. I didn't say we were going to finish it, or part of it.

Mr. Deans: The problem with that is, being one of those poor souls who had to suffer through all these weeks and months of hearings, it is not a matter of making quick decisions about whether you are going to finish it or not; if you don't make a decision, it will be finished. If you don't decide one day, it will be finished and you won't have to decide. It is one of those decisions which makes itself. If you wait long enough, it will be made.

I would like to get some kind of a general view of what you think, what you are going to do with the water—turn it over to Labatt's to make beer or something; I don't know.

Hon. Mr. Auld: Heavy beer?

Mr. Deans: Heavy beer as opposed to light beer.

Hon. Mr. Auld: The tendency is to lighten now.

Mr. Deans: Whatever you think is appropriate.

Hon. Mr. Auld: We have a meeting with the feds next week.

Mr. Deans: They are a bad bunch, by the way. You can blame them for anything; they can't come and defend themselves.

Hon. Mr. Auld: I wasn't going to blame them for anything. We are meeting with them October 31—

Mr. J. Reed: Is that Halloween day?

Hon. Mr. Auld: That's a real straight line—but I won't rise.

Mr. Deans: I understand they were making up a horse and had one part completed; they needed somebody for the other end.

Hon. Mr. Auld: Meanwhile, back at Bruce, I haven't a clue—well, I have a few clues, but I will not be making any definitive statements until we have had that meeting. Then Hydro—this was discussed in the select committee—has various alternatives as regards D: it might be partially completed, it might be moth-balled, whether the material that is on site should be stored in place—there are a whole range of options with different cost figures on them.

Once we have a better idea of what the heavy water supply situation is going to be and the need, then I think Hydro will be in a better position to recommend what they propose to do.

Mr. Deans: Marion tells me this is October 26, and I assume she is right. Assuming that—

Hon. Mr. Auld: You only have one minute to get those tickets.

Mr. Deans: Put one on. I will give you the money.

Assuming that we deal with today as being one of those days that is important in the life of the people of Ontario. Up to this point have you, has the ministry, has Hydro, has anyone directed, either by statement or inference, that work should be slowed down, stopped, deferred—or any word you care to choose—at the Bruce nuclear site as it affects heavy water?

Hon. Mr. Auld: I don't know whether Hydro have stages which they have not started because they don't have to and are waiting to see. I really am not aware about that.

Mr. R. B. Taylor: We are doing our best to do what someone described as a little constructive foot dragging. We are in this terrible position of not knowing just what the decision will be, and we want to find the best middle course. We don't want to go too fast, and yet we don't want to lay off people unduly or to stop work in such a way that it

would be very expensive to start up. We are doing our best to walk that fence.

[9:00]

Mr. Deans: When you talk of constructive foot dragging, it's an interesting term.

Mr. R. B. Taylor: That was used by Sir Brian Flowers, you may remember, in referring to the development, I believe, of the fast breeder.

Mr. Deans: That's where I heard it before. No, I didn't hear him say that. But the interesting thing is that the government apparently has made a statement. It says: "Auld"—I think he's part of the government—"Wants Hydro to Finish Bruce Plant. 'Completing only half of the \$625 million heavy water plant at the Bruce nuclear power development is unrealistic,' Energy Minister James Auld says." Apparently, that—and I think it was accurate—was part of his comments to the dinner in Hanover. "He says that the recommendation of a legislative committee that only half of the plant be finished are somewhat premature." That may be. That's the government's view, I assume. With that in mind, are you telling them, Jimmy, that they oughtn't to go ahead?

Hon. Mr. Auld: I haven't told them anything yet.

Mr. Deans: Who are you telling? If you weren't telling them, who were you telling?

Hon. Mr. Auld: I was telling the audience in Hanover what my view was about what we should be looking at in terms of heavy water D, which was that we shouldn't be making a fast decision until we knew a lot more about the need, internationally possibly, for more heavy water.

Mr. Deans: You went on to say—I'm quoting from a newspaper article, and if it isn't accurate, please just say it isn't accurate; I could have brought the speech incidentally, but I filed it: "It seems unrealistic to me to expect Ontario Hydro to stop construction now. For one thing, you don't stop and start large construction programs like that easily without substantial cause, without wreaking havoc on the communities involved." What you're saying is that you want them to go ahead and what is being said by Hydro is that they're dragging their feet.

Mr. R. B. Taylor: Constructively, Mr. Deans.

Mr. Deans: Oh, of course. Oh no, no, no. If nothing, constructively. The problem with all of that is not only constructive, it's confusing. Who tells who what?

Hon. Mr. Auld: I thought my speech was really pretty clear. I wish I had one of my

copies with me, then I could re-read it to you. I remember pretty clearly, because I got the speech out yesterday on account of the piece that was in another paper, which I didn't think had reported it correctly, and that's why I know that the operative parts about that were pages 10, 10A and 11. I was quoting it in a letter to the editor.

Mr. Deans: I'll tell you what's worrying me about it. The committee studied it. Julian was part of it, and he understands all of this. The committee studied it—I mean Julian was one of the prime motivators, so I want to shift some of the blame—but we sort of looked at this pretty carefully, and you kept pretty close tabs, a couple of people, and there have always been a couple of people who hung around to see what we were saying and reported to you, I assume. I hope. Otherwise you're paying them for nothing.

All of the evidence was I think fairly easily understandable. I read your statement. It didn't seem to reflect a hell of a lot of what we were hearing, but that's beside the point, and I'm kind of curious about what you do now. Here we are making a recommendation, and you're really saying in fact, you don't give a damn what the committee says, you want it to finish. You're not going to make any hasty decision. I don't know what hasty in your mind is, but you're not going to decide too quickly. Hydro is dragging its feet—

Hon. Mr. Auld: No, I think what I said in that speech was that there was no disagreement as to the needs of Ontario Hydro that two and a half plants would suffice.

Mr. Deans: It sure would.

Hon. Mr. Auld: I was talking about the larger market.

Mr. Deans: All right. Let me help you with this. You got yourself into building something that sober reflection tells us may not be absolutely necessary. You can make a case, I don't deny it. But you can make a case that if everybody buys Candu reactors, we can sell the heavy water. You could even suggest it could be used for other purposes. I don't know what they might be, but maybe it can, I'm not sure. You can store it, I suppose.

Hon. Mr. Auld: There is a question about just how well Glace Bay is going to work And there's Hawkesbury.

Mr. Deans: I'm not going to get into that I listened to AECL, thank you very much and I don't believe them either.

The problem is you now have said you think you want to finish it. What you said in the Bruce Peninsula, where it mattered

was, "We're going ahead." That was the message, "We're going ahead."

Hon. Mr. Auld: I don't think so. I was very careful not to mislead people by saying we shouldn't make a decision until we knew a little more about it.

Mr. Deans: Except that you understand while you're waiting to make a decision, it goes on.

Hon. Mr. Auld: But I was not saying the government thought we should finish the plant *holus bolus*, without any further thought and information.

Mr. Deans: Okay, give me a time frame. When are you going to decide?

Hon. Mr. Auld: I can't give you one, as I implied in that speech. I said we needed some further information. We may get it next week.

Mr. Deans: No, you won't get it next week. There is no point in kidding this committee. You know everything we know. Nothing happened in that committee that was not available to you and to Hydro. Nothing. You have had all the information for as long as we have had the information. You have known for some weeks what the committee was recommending. You have known for some time what the staff recommended. You have had available to you all the background information as it was presented from both sides. I know it was reported to you, not directly, but to the ministry.

To say that you have to wait for the committee to file its report is absolute balderdash. If you want to tell me that as a matter of courtesy to the committee you are going to wait for their recommendation, I will accept that as the formality one must go through. But the problem with doing that is you are to use that as the catalyst for your decision, for what motivates you, then we so have to agree that for every day you delay making a decision, we move ahead with another expenditure of millions of dollars.

We are now constructively dragging our feet. I'm concerned because people are being laid off. If you are going to go ahead, then you must make the political decision and stand by it. You say simply that for political purposes we have decided we are going to take some chances. For the purposes of employment and the economy, we are going to take some chances. We understand all the background material. The information is in the story is before us.

Your speech in Hanover wasn't helpful, if you will forgive me. It wasn't helpful to us, and it wasn't helpful to the final deliberations. I think it would be unwise to go ahead. Nevertheless, if you decide to go ahead, and

if in the meantime Hydro is laying people off and creating disruptions—and Hydro is not alone in this—

Mr. R. B. Taylor: Mr. Deans, I think Mr. Morison has been wanting to say something.

Mr. Deans: I'm sorry, please interrupt.

Mr. Morison: The plan we are operating on, and have been for some time, is to concentrate the work effort on one half of the D plant.

Mr. Deans: Why?

Mr. Morison: The whole plant is on schedule, and the D plant is two main pieces.

Mr. Deans: Which schedule?

Mr. Morison: The schedule for the in-service state of the D plant. We're on that schedule, but we're concentrating it on one half, as opposed to building both halves at the same slower pace. That allows us then to employ essentially the same number of people on the job but to advance one half ahead of the other.

Mr. Deans: Okay. Am I correct in saying that there are fewer people employed there today in the project as it is now going forth than there would have been had we been working on the original schedule and completing both halves simultaneously?

Mr. Morison: I don't think I can answer that question categorically because there was a large reduction in the staff planned at this time because of the B plant. The change in employment at the site was dropping off quite rapidly at this time because it was finished.

Mr. Deans: And would have been in any event.

Mr. Morison: That's right. Whether or not there was some difference between that plan and the present plan we're on, I couldn't answer today, but the difference isn't great because we are putting more emphasis on one half of the D plant than we would have otherwise.

Mr. Deans: If there had been no committee and if there had been nothing happening outside of what would normally have been going ahead, the number of people employed in the Bruce plant would not have been substantially different on the original plan from what it now is.

Mr. Morison: I think that's essentially correct as of today.

Mr. Deans: As of today.

Mr. Morison: Yes, I think so.

Mr. Deans: The people who are being laid off are not being laid off because of the committee's deliberations?

Mr. Morison: They're not required on the site because of the completion of the B plant. Basically the large number of people who are not required any longer are not required because the B plant is completed or nearly completed.

Mr. Deans: I just wanted it to be clear then that had there been no committee, had there been no study, had there been no deliberation and had there been no recommendation, the number of persons employed in construction today on this site would not have been substantially different from the number now employed. In other words, if nothing else had happened, with all things being exactly as they were prior to the committee being structured, there would have been very little difference in the total number of persons employed.

Mr. Morison: I think the difference wouldn't be very large compared to the change in the number of people on the site as a result of completion of the B plant. That's the biggest effect up there.

Mr. R. B. Taylor: Mr. Deans, I think that what you're assuming is that we would have gone ahead with all of D had there been no committee.

Mr. Deans: Yes, I'm assuming that you might not have changed your mind.

Mr. R. B. Taylor: The other thing is that while the employment is the same now, I think it will drop off faster because we're completing B faster than we would have if we were going ahead with both halves of D; that is, we're shifting effort from plant number eight to number seven.

Mr. Deans: I understand that. In terms of the number of persons employed at the moment, not the length of time that they may be employed, there are no fewer, give or take a few, than would have been employed had you been pursuing the original plan?

Mr. R. B. Taylor: That's what Mr. Morison said.

Mr. Morison: I think that's essentially so.

Mr. Deans: That's essentially correct.

Mr. Morison: We're working mostly on the number seven extraction plant as opposed to number eight. We're completing that at a faster pace at the present time.

Mr. Deans: I appreciate those comments and I want to ask you, Mr. Auld, do you have in your mind some timetable that you intend to put in place in terms of dealing with the committee's report? The report is not filed as you know. It's a brief report which requires about a half an hour to read.

Knowing your capacity to absorb, one reading would be sufficient.

Hon. Mr. Auld: Bless your heart, you're very kind. First of all, let's remember that the federal government has announced that they want to mothball La Prade, but they have to negotiate with Quebec to do that as I understand it. We'll perhaps know a little more about that next week. From what I remember, the heavy water that Bruce is producing is roughly half the price of that La Prade estimated cost.

Mr. Deans: Well, that's a matter of debate.

Hon. Mr. Auld: There is still some question as to how soon Glace Bay is going to be at its total production. I guess the same thing applies at Hawkesbury, which is a small operation anyway.

[9:15]

Mr. Morison: Yes, Hawkesbury has been improving, but it's still not up to their expected level.

Hon. Mr. Auld: The amount of heavy water that is required for say—is it 600 megawatts they're talking about in Romania?

Mr. R. B. Taylor: In Romania? Yes, there be about 600, wouldn't it, Bill?

Mr. Morison: Yes.

Hon. Mr. Auld: To fuel one of those, depending on what percentage of capacity you're achieving, I gather is about somewhere between 281 days and 178 days production.

Mr. Morison: From?

Hon. Mr. Auld: From Bruce B. Bruce A is the one that's at highest production, isn't it?

Mr. Morison: Yes.

Hon. Mr. Auld: That's the figure for Bruce A, rated capacity at 105.6 kilograms per hour.

Mr. Morison: Approximately 800 tons per year at 100 per cent capacity factor.

Hon. Mr. Auld: And it takes one—I've got the figure somewhere—it's about one something per megawatt.

Mr. Morison: It's one ton of heavy water per megawatt electric, so you need something like 600 tons of heavy water to commission a 600-megawatt plant, and that would take us in the Bruce A plant something less than a year, about 250 to 300 days, running at good capacity, to produce that.

Mr. Deans: The reason I raise it with you is because people in the Bruce Peninsula are blaming the Liberals for the decrease in employment and it just seems to me to be

grossly unfair. I didn't want them to suffer the consequences of that, and I thought perhaps you could straighten it out.

Mr. Peterson: We sure appreciate your help.

Mr. Deans: That's awfully kind of you. They will now be able to go back to those things and explain away their position.

Mr. B. Newman: I hear they blame the DP.

Mr. Deans: Anyway, I just wanted to clear up so they wouldn't feel uncomfortable.

Hon. Mr. Auld: Of course, anything I can do to help you, Ian.

Mr. Deans: There's a lot of truth in that, Auld. All right, we'll follow it up later.

Mr. Chairman: All through, Mr. Deans? Mr. Newman?

Mr. B. Newman: Mr. Chairman, I don't have much to discuss but I want to bring to the attention of the minister and reactivate the J. Clark Keith generating station in the Windsor area. I understand it is going along quite well. When do you plan on actually having it in operation?

Mr. Morison: The renovation of the old plant? It's scheduled to be in service in June 1980.

Mr. B. Newman: When would you start hiring staff?

Mr. Morison: To operate the station, you mean?

Mr. B. Newman: Yes.

Mr. Morison: I believe that most of the staff will likely come from people from our other stations. I can't tell you what the hiring program is for that particular plant.

Mr. B. Newman: Is it too far in the future for you to actually develop a policy concerning the hiring?

Mr. Morison: I suspect there is a plan in place at the present time to hire people needed for that plant or transfer them from other stations. I don't have it with me, but I expect there is.

Mr. B. Newman: My concern is for the number of employees and the employees who worked there prior to you closing the plant—if you are going to give any preference to them; if those who are working in other areas would possibly wish to come back into the Windsor area, if you would give them priority over others, all things being equal, having all of the qualifications necessary and everything of that sort. Are you considering that type of a policy?

Mr. Gordon: In the total picture, you probably notice where we are cutting back on the

operation of the Lennox plant and also the Hearn plant, and what we are trying to do is to phase people from those plants—some of them will be going into the Keith plant, some of them will be going up to the Thunder Bay plant—and we're in discussions with the employees in connection with that.

Mr. B. Newman: I can understand that.

Mr. Gordon: There are other people that are down in Windsor and, of course, we moved some of them to other plants as well.

Mr. B. Newman: I'm talking really for those who once worked in the Windsor plant, whether they would be given preference over someone else to come back in the Windsor area if they so wished to come back, if they have the qualifications necessary.

Mr. Gordon: I think we did indicate to them that we would put them on call, the ones who actually left.

Mr. B. Newman: How about those who by choice couldn't move out of the Windsor area and now are not employed in the same type of activity that they were when they worked for you, who probably have gone into other industry but would like to once again be associated with J. Clark Keith? Would you be considering them?

Mr. Gordon: I think we indicated to those people that we would keep a record of them and they would be considered.

Mr. B. Newman: Yes, I think you're being fair about that and I appreciate your telling me so. How high is the stack to be at the plant?

Mr. Morison: It's 450 feet.

Mr. B. Newman: Why 450 feet as opposed to 200 feet, as opposed to 600 feet? How do you select the height?

Mr. Morison: I think on a sort of simple basis the height of the stack is determined by the ground level concentration as a result of dispersion from the stack. We're required to meet Ministry of the Environment requirements for that area. The stack was designed and reviewed by the Ministry of the Environment as being acceptable for that location.

Mr. B. Newman: Is it going to meet all requirements of the Ministry of the Environment?

Mr. Morison: As far as I know, we have approval to build the plant with a 450 foot stack.

Mr. B. Newman: All right. Are you going to have some pollution control devices so that you're not simply dispersing the contents of the burning in the plant?

Mr. Morison: One of the reasons for renovating the plant was to improve the high class precipitators put on to remove almost all the particulate matter.

Mr. B. Newman: How about the sulphur?

Mr. Morison: No, we will not be putting scrubbers on, but we will be burning relatively low sulphur fuels in the plant.

Mr. B. Newman: Can you assure the people in the area that there won't be pollutants emanating from that stack, the same way that it was prior to the closing down of the plant?

Mr. Morison: Yes, we can assure the people that the particulate matter will be very much improved—we won't be able to see any discharge from the stack—and that the ground level concentration of sulphur will be well within the regulations for the province of Ontario.

Mr. B. Newman: The fact that your stack is going up higher, aren't you only dispersing over a larger area and farther away from the community than what it was before when the stack was considerably lower?

Mr. Morison: We are not removing sulphur. The basic change is to improve the particulate removal, which was a problem, and to make the stack high enough that the ground level concentration is well below the allowed limit.

Mr. B. Newman: My concern is, you know where it's located, you know what's across the river from you there, Zug Island, and you know how we've been punished by Zug Island for as many years as one can possibly remember, and how the community has been fighting to have Wayne county and the state of Michigan improve the pollutants that are being dispersed by the industrial complex on Zug Island. The change in the atmosphere to many of the residents in the area has not improved. In fact, two summers ago, at two different times we had that graphite dust that was dispersed over the whole area as a result of—if I'm not mistaken it was the Detroit Edison plant at that time.

My concern is that what is coming from Detroit, exported gratis, no duty paid or anything of that sort, American pollution, not any more valuable than the Canadian pollution, and that adding to what you people may be adding, may be letting out of your stack, may aggravate the situation. Could you possibly assure us that the situation will not be any worse now than it was prior to the big stack being added onto the facility?

Mr. Morison: I guess all I can say is the vast majority of pollution in the Windsor area is not generated in Canada.

Mr. B. Newman: That's one of the problems—I shouldn't say a problem. We don't like that but we're afraid that maybe you may be adding to what Detroit is sending over.

Mr. Morison: I don't think I could deny that we're adding, but we're adding a very small portion of the total.

Mr. B. Newman: Would it be less than what you were doing before?

Mr. Morison: The concentration in the city, I believe, will comply with Ministry of the Environment requirements. I can't say we're not adding to it, but we're going to be adding a very small amount compared to what's there now.

Mr. B. Newman: No, but you're sending it out a little farther away from the plant location now. In other words, instead of only going into the south Windsor area now you're going to go into the town of Essex, possibly Leamington and maybe even as far as Tilbury.

Mr. Morison: It definitely will be dispersed over a wider range. That's true.

Mr. B. Newman: I was going to ask why you didn't consider the use of gas rather than coal. I've been told that gas was readily available and in large quantities and delivery guaranteed for a fairly long period of time. That's what Union Gas had mentioned.

Mr. Morison: Gas was one of the alternatives considered in the pre-engineering study. At the time that was done, I believe gas was considered to be in short supply and also that one should not really be burning gas to generate electricity, but that gas should be used in areas where the stacks were small and that the effluent would be released close to the ground. I think that's basically the plan that we followed.

Mr. B. Newman: I can't answer to that, except that in talking with Union Gas they were ready to talk to you people and guarantee you gas for an indefinite period of time. Why wouldn't you have taken them up on that? Would it cost too much to convert back to coal at a later time?

Mr. Morison: We would have to add some additional equipment to operate with coal. The conversion to gas would be somewhat cheaper if you just put gas in the plant, but the operating costs would be substantially higher.

Mr. B. Newman: With gas?

Mr. Morison: Yes.

Mr. B. Newman: I understand it was going to be competitive.

Mr. Morison: We can't buy gas at anything like the same price as we can coal on a 3tu basis.

Mr. B. Newman: You are the people that know, but from the information that was provided to me it was going to be competitive. Can you answer that?

Hon. Mr. Auld: Do you happen to know what the price was?

Mr. R. B. Taylor: The change to gas was more expensive. That's one of the reasons we turned down the Hearn plant here.

Mr. B. Newman: I don't know. All I can say is when I spoke with—

Mr. R. B. Taylor: We could give you figures, Mr. Newman.

Mr. B. Newman: I'd appreciate that. You can send them to my office at some time. I don't want to hold this up.

I wanted to ask another question. When you're selling power to the United States, you sell it essentially to the state of Michigan in my area. Do you sell it on any condition that if they are not going to use it for their own purpose, they must sell it at that same price, plus transmission charges, to the state of Ohio?

Mr. R. B. Taylor: No, I don't. I think if we sell it to Michigan, then what they do with it is their business.

Mr. B. Newman: Then why couldn't you sell it to Ohio?

Mr. R. B. Taylor: We could and we would if there were a market in Ohio and the price we could get with the wheeling charge from Michigan to Ohio would pay us.

Mr. B. Newman: From what I understand, the Detroit Edison people had a little mint in operation this past winter in the sale of their electrical energy to Ohio. They made a substantial profit on what you have generated and sold to them.

Hon. Mr. Auld: If you're going to sell gas to Ohio, it's got to get there somehow and somebody who has the land in between is in the driver's seat, I would think.

Mr. R. B. Taylor: Mr. Newman, are you talking about gas or electricity?

Mr. B. Newman: I'm talking about electrical energy.

Mr. R. B. Taylor: I don't know about what you speak of, that is, Detroit Edison buying from us and then selling to someone in Ohio.

Mr. B. Newman: That's right.

Mr. R. B. Taylor: I don't know about that.

Mr. B. Newman: I'm talking to you from what I read in the newspapers and that is not necessarily true. I can recall reading in the Detroit papers that Michigan Edison, or whatever they're called, bought substantial quantities of electrical energy from you, transshipped it to Ohio at a substantial profit and that was one of the reasons why they were able to operate during the critical shortages in the state of Ohio.

[9:30]

Hon. Mr. Auld: You weren't here yesterday when somebody was talking about Ontario electricity in Georgia. It is very hard to trace a kilowatt because of the grid system and it could very well be that people are interchanging back and forth just as we interchange back and forth. Perhaps if Detroit Edison is selling some power to Ohio, Ohio may at some time have a couple of hours when they don't need and they will sell it to somebody else.

Mr. B. Newman: It is a very clear product. You can't smell it or taste it. I don't know the ramifications of the whole thing, but it does seem unfair to me that we are helping Michigan and they turn around and sell it at a huge profit to the state of Ohio because of the critical shortages of energy.

Mr. R. B. Taylor: But Ohio could buy from us if they were paying an exorbitant price to Michigan.

Mr. Gordon: We have to deal with the people with whom we have an interconnection agreement and our interconnection agreement is with Detroit Edison. Therefore, we would sell to them and they would wheel to somebody else. We may know where the power is going because of the deal Detroit has made with somebody else, but we deal with the utility with whom we have an agreement.

Mr. B. Newman: I accept that, except it seemed unfair to me. I don't mind Michigan making a fair margin of profit as far as the resale goes, but when they come along and take a big bite, I assume we should get some portion of that.

Mr. Chairman: Mr. Newman, would you let Mr. McClymont speak?

Mr. B. Newman: Yes.

Mr. McClymont: McClymont, manager of transmission system planning.

What you say is quite possible and I think it is true that Michigan could be selling power at a higher price to Ohio than they were paying Ontario. This does happen occasionally. In fact, Ontario was able to make the same arrangement in the past to buy power

at a certain price from Hydro Quebec, sell it to utilities in the US and make a considerable profit on it.

As Mr. Gordon said, when you have no direct connection with another utility, you have to make arrangements to wheel that power through the intervening power company. They will normally want a fee for doing this. They are certain to want a fee. It may not be a deal you can make.

Mr. B. Newman: I accept all of that. I know they would want a fee. The amount they were charging Ohio seemed to be out of line to me. They were taking advantage of Ontario Hydro to increase their profits substantially.

Mr. McClymont: I am not familiar with the rates they were charging, but there are interconnection agreements and I imagine the rate they were charging was a standard rate. We would have to find out. I am not sure we could find out precisely what they were charging, but I am sure they were charging a rate generally agreed to be fair on the interconnections.

Mr. B. Newman: Thank you, Mr. Chairman. I appreciate the replies by the officials of Hydro.

Mr. Gordon: I would like to get back to an earlier question, bringing people back to Keith who have been moved to other plants.

I don't think they would get first call and these are things we have to work out in our discussions with the unions, based on the cutbacks we have had on other plants.

Mr. B. Newman: I would think, if the individual transferred out of Windsor to one of your other stations would like to come back to Windsor because his or his wife's family live in the area, that consideration should be given to him in uniting the whole family or other members of the family. I would hope you would be fair on that. I have full confidence you will do that.

Ms. Bryden: I have four or five questions. One of the things I always look at when the Ministry of Energy is up is whether the ministry has improved its position with regard to the ratio of women to men in the ministry and the average salary as a percentage of men's.

I see that the latest report of the women crown employees office shows that they still have the dubious distinction of having the lowest percentage of women's salary as an average of men's—namely, 46.1 per cent—whereas the overall civil service is 72 per cent. I can understand that part of it is due to the fact that there are probably more

technical jobs in the Ministry of Energy, but what I would like to ask, Mr. Taylor, is whether Hydro is covered by the women crown employees affirmative action program to try to change the ratio of men to women, particularly in the professional and administrative jobs?

Mr. R. B. Taylor: Ms. Bryden, I can't answer that question. Can you, Doug?

Mr. Gordon: I know we are studying it. I don't know whether we are under that program.

Ms. Bryden: It is not mentioned in the list published in the annual report of the women crown employees office.

Hon. Mr. Auld: They are not crown employees.

Mr. R. B. Taylor: They are not crown employees, so we would not be covered.

Hon. Mr. Auld: However, because we knew you would be here, I have a report on what's happening in Energy, if you would like that, but not right now, because we are dealing with Hydro. I will give it to you right now, but I think it might be proper to wait.

Ms. Bryden: No. I think it should come up under the first vote on Energy itself. What I would like to ask Mr. Taylor and his officials though is do they have on their own any sort of affirmative action program for assisting women to have both vertical and horizontal career mobility, shall we say, to encourage women to move from the strictly clerical positions into bridge positions which can lead to professional and administrative positions at the higher levels? Do you have any program of that sort?

Mr. Gordon: We haven't a program now but we have one under consideration.

Mr. R. B. Taylor: One of our problems is that a great many Hydro employees are engineers. This question, you may be interested to know, came up at our board meeting. The question was asked by a man called Dodge, of whom you may have heard. Dr. Uffen, who is our vice chairman and who is dean of engineering at Queen's, answered the question in this way. He said "Engineering has not yet absorbed enough women over a long enough period really. We have made inroads into middle and senior engineering jobs, but that will come, and the percentage of women in the engineering courses is increasing."

Perhaps it is a little early for an organization such as Hydro, that is so heavily weighted in the technical end.

Ms. Bryden: I concede that, that there aren't as many women offering themselves in the technical and professional fields as there are men, and therefore it tends to have a stronger bias towards men. But there must be, in your 24,000 employees or whatever it is, a lot of administrative jobs, public relations jobs, personnel jobs. Have you studied what's the ratio of men to women in those jobs, and also the percentage of salaries as to whether there is actually equal pay, or moving women into the higher paid jobs on somewhat the same percentages as men?

Mr. R. B. Taylor: I know the subject has been under study for some time, but I can't give you any figures or results, or tell you really where they are in their work.

Ms. Bryden: The women crown employees office and the Ministry of Labour both go out into private industry to try to encourage them to set up affirmative action programs of this sort. I'm surprised that they haven't been into—

Mr. R. B. Taylor: I can assure you that Mr. Dodge and other members of the board are very interested in this, and we are working on it.

Ms. Bryden: Perhaps next year we will have a report of more progress in this field. Also, we would like some statistics next year, perhaps similar to what the women crown employees get out for the other departments of the government.

My next question is on bulk metering in apartments. What progress are we making towards making it possible for apartment dwellers to develop a sense of energy conservation? As we all know, where there is bulk metering there isn't any incentive for them to make savings. Has it got to the stage where it is mandatory for all new construction?

Hon. Mr. Auld: No, it has not. The short history is that in June 1976 the select committee recommended that all new multi-unit residential buildings be individually metered and the existing bulk-metered units be retrofitted. In response to this, there was a joint study initiated by Ontario Hydro, the Ontario Municipal Electrical Association and the Association of Municipal Electrical Utilities of Ontario, because there are some minuses as well as pluses. They were working on that for about a year.

The final report of the tri-party committee—that group—was tabled in the Legislature last December and copies of the report have been sent to a number of groups and individuals for comments. We have now received responses from most of the major organiza-

tions. Based on an analysis of the committee's recommendations, as well as the reactions of these interested groups, I would expect that we will have policy recommendations brought forward to cabinet within the next few months.

I would rather expect that there will not be a requirement to retrofit because of the cost. There are some minuses in terms of cost. There are some real problems in apartment buildings where, because of the construction of the building, you are not dependent on the way you keep your own windows shut and so on, but you are dependent on your neighbours and things like that. It isn't quite so simple. I am far from being an expert, but I read some of the information that has been gathered. Just in looking at the utilities cost, the capital cost of all the meters and their operation and maintenance, and reading say 87 meters instead of one. I would say that we are interested in saving energy, but we are not interested in saving it at an exorbitant price. I think that we will be looking at some tradeoffs.

There is no question that individually metered units—and I think the Hydro study showed that—use a lot less electricity in most cases than do ones who are on bulk metering because there is an incentive, no matter what the price of electricity is, to conserve it when you know what the bill is. But there are some difficulties as well.

Ms. Bryden: Are there not some new technological developments in metering where you don't necessarily need the old-fashioned kind of meters in every apartment, where you can fit the building with a meter and somehow or other it is able to read the usage in each apartment?

Hon. Mr. Auld: My upper sixth physics doesn't go that far. I don't know that anybody has invented that yet.

Ms. Bryden: Do you not think it is feasible to put it into the building code for all new buildings that they build so that each apartment does have its own? A lot of them are now having their own heating units and that also requires individuals thermostats in each apartment.

Hon. Mr. Auld: Again, without getting into the technical part, it may well be feasible, but it may require some other things in the code as well so that it will be effective and it will be fair to all the people in the building.

Ms. Bryden: When you count the costs you have to add the cost of generating all that extra electricity which isn't counted as the cost of the meters at all. We could save

some of our generating capacity if we could save energy.

Hon. Mr. Auld: As we were discussing yesterday, the basic cost is the system and the system is flexible in the amount of energy it can carry. If the system is in place, the carrying charges for that system, less the cost of fuel, are going to be pretty much the same.

[9:45]

Ms. Bryden: Surely we've been making the point all along that if the demand is reduced by even one per cent you save millions of dollars in generating capacity.

Hon. Mr. Auld: Yes. As a matter of fact, if you could even out the demand from the peaks and valleys there would probably be a greater saving than, say, reducing the demand by 15 per cent. Perhaps somebody from Hydro might comment on that because a lot of work is being done to try—and the yearly peak is important. If that peak only lasts for two hours, one day a year, that's what the system has got to be able to carry. If you can reduce both the seasonable peaks and the daily peaks we could probably make some incredible savings without doing anything else. There is a lot of work being done on that by remote control and other things. I think this might be a good time to mention that.

Mr. R. B. Taylor: Yes. I think the best thing to do would be to turn the sun off half in the summer and turn it on half in the winter and move it up a little bit. Some days of the winter our peak is up around 89 per cent. There's not very much room to move. Over the whole year I think it's around 70 per cent. So we have much less room to move than, for instance, the city of New York. I was told by its chairman it's 52 per cent. Of course, it's a daytime city.

There is work being done now on trying to shift load so as to even out the peak and cut off the need to have stations that only provide energy for part of the day. The seasonal thing is different. Then to some extent we solve the seasonal peak in our interconnections with Michigan because they peak in the summer and we peak in the winter.

Ms. Bryden: With regard to the apartments that do have bulk metering, are you operating any sort of a specialized education program for the tenants of those apartments on conservation of energy, since they don't have any monetary incentive?

Hon. Mr. Auld: I'm not aware of any program that—I think Hydro's program which

is a pretty large one and has obviously been a pretty effective one, is aimed at everybody, tenant or owner.

What the ministry has been doing so far has been mainly with office buildings and that kind of thing where we've had meetings earlier this year. In fact, today I was at meeting downtown—the tenants on this floor in one of the new buildings pay their own electricity. They had spent some money and reduced their lighting considerably and it is saving them \$7,000 a year. They're very happy about that. That's on one and a half floors in the Royal Bank building. There's an opportunity for large savings in the city. Our preliminary activities are leading to some action on the part of landlords and, I guess, tenants.

I'm not aware that we have been dealing with apartment owners who would be anxious to get their tenants—like the one where I live. It's a bulk-metering operation. I'm sure they would be delighted if we were all using less electricity. I haven't noticed any activity yet from them.

We started the downtown program April 4. We invited only the downtown office buildings and their tenants to participate in this five-point co-operative program. The Premier (Mr. Davis) was there to kick it off. What we asked was that each company appoint a senior executive as co-ordinator. Each company set objectives for reducing energy. Immediate objectives were to reduce the lighting level and the long-term objective was to reduce consumption by 30 per cent; reduce after-hour lighting by rescheduling cleaning and maintenance operations; participation in workshops with ministry and utility personnel; and develop reporting systems.

It's going along quite well. We've had discussion with 31 company co-ordinators so far. That has indicated that many organizations have planned and implemented energy conservation programs on their own hook in the last few years. In a number of instances, substantial savings in energy and dollars have been realized with the expectation of further ones. This, as I say, happened to come up in conversation today and I was really quite surprised that there should be that much saving in a couple of floors of an office building just for lighting.

A part of their problem, though, is that they only have four switches. If somebody comes in to work at night they've got to put the light on on a quarter of that floor so that they can see in their office. They're now looking at what it's going to cost them to put a few more switches in, I guess.

Mr. Peterson: If you recall, we had the same problem in the Legislature. There's one switch for the whole floor.

Hon. Mr. Auld: And there are some days when we certainly need a lot more light in here.

Mr. Peterson: On your floor, particularly, you need more light.

Mr. J. Reed: Turn yours off when you leave our office. Always make sure you turn the light off.

Ms. Bryden: Yes, you come around, do you, and look to see if it's off?

Mr. Peterson: We never see a light on in here.

Ms. Bryden: I can see, even if you did have a special program for tenants, they're not going to be very keen on saving money for their landlords. You'd have to work out some sort of a pass-through mechanism if the overall electricity costs of the large apartment building went down. I would still hope that in this report you're promising us within the next, say, year after you receive the report—and two years later from the original one—that you still look at the possibility of retrofitting in places where the costs do seem reasonable, because there is a big field there, I think. If the individual is responsible you're much more likely to get savings.

Hon. Mr. Auld: I don't think there's any argument about that.

Ms. Bryden: My next question is on the Atikokan generating station. As most people know, I guess, a new generating station is being planned there. I believe it has now received cabinet approval, has it not, to go ahead?

Hon. Mr. Auld: I think the first contract has been awarded, hasn't it?

Mr. R. B. Taylor: Yes, the award for the turbo generators.

Ms. Bryden: Yes. The thing about the Atikokan station is that it did not receive an independent environmental assessment. For a variety of reasons the government exempted it. I think Hydro itself did carry on quite an extensive environmental assessment and hired some consultants and also set up a public information program. I think it is progress that Hydro is doing this sort of thing. I can remember 10 years ago when they wouldn't have even thought of it, I don't think.

However, I would like to ask, on this public participation program that you did conduct on the Atikokan thing, was there any funding provided for any of the citizens' groups that wished to challenge the studies of the high-priced consultants that Hydro

hired to put in their own consultant studies to hire some experts and so on? Just informing them of somebody else's studies is not really public participation. It may be public education but if the public is concerned about the effects on their community, particularly from an environmental viewpoint, I think they should have every opportunity to hire some experts on their own to examine the situation and to challenge the reports of Hydro. Was there any funding provided for it?

Mr. Chairman: Mr. Morison, did you want to make some comments on that?

Mr. Morison: We did not provide funding to the public to undertake studies on their own. We did hire consultants and we made all the information they had available to the public for their review. We met with people up there on many occasions. But we did not provide funds for others to investigate on their own.

Ms. Bryden: Have you any idea how much the consultants' studies cost?

Mr. Morison: I think several hundred thousand dollars was spent in that area on engineering investigations and environmental investigations. I can't tell you the exact figure at the present time.

Ms. Bryden: Do you not think it would have been valuable if the citizens' groups also could have hired some consultants?

Mr. Morison: I think the professional engineering and environmental groups we hired were well qualified in the community, and I believe they did an excellent job and provided fair assessments of all the work that was done. I don't believe one could hire people who were better qualified to do the job. I doubt that hiring someone else would have changed anything.

Ms. Bryden: Except that you write the terms of reference for the consultants that you hire. The citizens' groups might have different terms of reference.

Mr. Morison: We hire them and we certainly specify the scope of work, but in no way do we influence the results of their investigations and the thoroughness of their investigations. I don't believe anyone asked for more work to be done in the areas that were investigated. I think the people felt the investigations were quite thorough and well done.

Ms. Bryden: Your terms of reference undoubtedly influence the kind of study you get. You can't say you didn't influence them when you set the terms of reference. They answer the questions you ask them to answer.

They may do it quite thoroughly on the basis of their technical knowledge, but the focus is what the terms of reference are.

Mr. Morison: I would acknowledge that we write the scope of work and they do the work we ask them to do. But they are professional organizations and they conduct themselves in a very professional manner. If there was anything that was amiss there, it would have come in their report, I'm sure.

Ms. Bryden: I understand they found out that the products of the coal combustion method that was going to be used were going to produce substantial quantities of sulphur dioxide and, while there were a lot of plans to build large stacks so that this could be discharged over a wide section of the atmosphere and, while the readings at the foot of the stack may be fairly low, the effect on the surrounding communities has not really been measured. It seems to me it's the same situation as at the Inco site, where they have spread the SO₂ discharges over a much wider area, and we're not sure what that's doing to the rest of North America. It may be satisfactory in Sudbury, as far as the level of readings go, although there's a lot of dispute about that.

I understand there were considerable representations from the United States. These emissions were going to go over one of Minnesota's wildlife parks and over various other parts of the United States. In fact, I have a newspaper story here that the United States was asking Hydro to spend up to \$70 million on pollution control devices.

Has there been any response to those protests from the United States and from people a little farther away from Atikokan, perhaps in Canada too?

Mr. Morison: Yes, there certainly were responses. We supplied information on our plant to the Environmental Protection Agency in the United States. There were discussions with the US government on this plant. The results of these investigations, by the Americans and by ourselves, essentially show that the boundary waters area you're talking about in Minnesota will not be affected in any significant way by our plant.

The amount of pollution—sulphur dioxide—we emit from our station is really quite small. The sulphur level in the lignite that we'll be burning is very low. We certainly comply with all the Ontario regulations; we are well below the Ontario regulations. In fact, we essentially comply with the class one requirement set out for wildlife areas in the United States. That was passed after the plant was approved in the United States, I might say. I believe that's agreed to by the

Environmental Protection Agency of the United States.

[10:00]

Although there was an outcry from environmentalists in Minnesota, I believe that the results and investigations on both sides of the border showed that this plant in no way would have any detrimental effect on the environment in that area. Most of the pollution supplied to that environment is coming from the United States plants. There are far more plants in Minnesota than we have up in northwestern Ontario. In fact, more than 80 per cent of all the pollution will be coming from Minnesota itself.

Ms. Bryden: At the Guild Inn in the spring there was a conference of a group of people concerned about acid rain who I understand also discussed the effect of this plant on Minnesota. I wasn't there myself but, from reports from it, they seemed to feel that there was a likelihood that the SO₂ coming out of the plant will create acid rain, which may go across the border or may come to other parts of Ontario, depending on the prevailing winds.

Mr. Morison: Certainly some of the sulphur going into the atmosphere will come down and create acidified rainfall, but the quantities of SO₂ we're putting up are really quite small compared to all the other sources in the area. If this is occurring, we're getting far more acid rain contributed from United States air pollution than we ever would from our own plant—by a large majority.

Ms. Bryden: Do you think that the acid situation around the plant is a serious one? Will we have a lot of lakes develop as dead lakes the way they have around Sudbury?

Mr. Morison: Not because of Atikokan.

Ms. Bryden: You don't think the quantities are sufficient?

Mr. Morison: Not from Nanticoke; I don't think it will contribute significantly to the problem. That is a basic problem in the hard rock area in northern Ontario where sulphur—and this is continent-wide—is in the atmosphere. But that's a major contribution from all industrial centres.

Hon. Mr. Auld: And from nature itself—carbonic acid.

Ms. Bryden: There are also nitrogen oxides that could come out of this operation.

Hon. Mr. Auld: As far as the lakes are concerned, a lot depends on what rock is in the lake. For instance, if there is limestone around. Some lakes are naturally buffered and have never been affected. Other ones, like some of the ones around Sudbury—and the

one in particular where you can see a Secci sc about 300 feet down. It has always been clear; it certainly hasn't been helped by the mudbury emissions over the years, and particularly in the early years, but there is no nestone—I've forgotten what it is, but it's a odd kind of rock and it is just amazing. Now, Wanapitei does have some limestone in it. And it is not affected nearly as much as Ramsay and some of the other ones there.

Ms. Bryden: Are you convinced that you are going to be able to keep the SO_2 and the nitrogen oxides down to a level where they will not affect the surrounding wildlife and forests and that sort of thing?

Mr. Morison: Yes, there is no doubt about that. I believe we have also convinced the Ministry of Energy and the Environmental Protection Agency in the United States.

Ms. Bryden: Do you think you would have been able to convince an environmental assessment board if there had been one held?

Mr. Morison: Yes.

Ms. Bryden: Of course, that's purely speculative since one wasn't held.

Moving on to another somewhat related subject, I guess—as you can see, I'm interested in environmental questions as well as energy questions—I understand the "watts from waste" program at the Hearn station is slowed down, or that the city of Toronto is not so sure that it's going to save money and they are asking for additional funds to carry on this experiment of using garbage to produce energy. I'm not quite clear where Hydro comes in. Is it Toronto Hydro that is—

Hon. Mr. Auld: It's the Lakeview plant; it's Ontario Hydro. Perhaps Bill can give you the latest from Hydro on it.

Mr. Morison: Yes, Mr. Auld was involved in the initiation of this, I might say, and the problems that have delayed this project have been in getting approvals for the refuse receiving and improvement area in the city, at Isco Road I believe it was. I think that was delayed until 1977, so there was a period when environmental investigations and studies had so on were done and this project was held up until that time.

Since that time the consultant who was working on both the refuse receiving station and its improvement and the modifications to our Lakeview station to allow us to burn—well, one consultant is working on all that, he's done the engineering and a recent update of the estimates. Now as a result of the rapid increase in costs since this was started, the cost of the plant is very much higher than the original estimates. And I believe Metropolitan Toronto is examining the

costs of this project and a decision has to be made on whether to proceed at the present time.

Hon. Mr. Auld: The problem, Marion, is that the first tenders for—I should correct a statement I made on Tuesday night I think when I was talking about this in a general way. I think I mentioned the Disco site. I should have said the Downview site, where there is now a collecting station for Metro. The Disco site is the one which is going to prepare the waste for the hydro plant, and the financial problem which you're speaking about, because Disco was to be built by Metro, the first tenders for the major equipment at Disco closed on September 12 and the tender prices on equipment contracts were up about 80 per cent over the most recent estimate. Those contracts in total amounted to about 25 per cent of the whole cost of the Disco plant, and that's where the concern has been expressed by Mr. Godfrey and Metro, and I believe they're having discussions with Environment about it to see where they will go from here.

Ms. Bryden: So it's possible the whole concept may be washed out unless there can be a renegotiation of the sharing of costs. Metro has got a much bigger bill than it anticipated and they're probably not going to save money on it.

Hon. Mr. Auld: I don't know. I guess you should ask the Minister of the Environment (Mr. Parrott) about that. It's their agreement with Metro. I would hope that at this stage in the operation that the solution will be found.

Ms. Bryden: Does Hydro still think that you can generate electricity from garbage at an economical rate?

Mr. Morison: I think if one takes into account the fact that a city the size of Toronto has a real problem in disposing of its refuse and that the cost of its disposal is going to continue to go up, I personally feel that it is undoubtedly going to be an economic proposition at some time in the future, if it's not today. We feel fairly confident that the "watts from waste" project will be successful and it's only a matter of time when it will be economic, if it isn't already. But the costs certainly have gone up a lot from the initial estimates and I think it needs a re-appraisal.

Ms. Bryden: It keeps getting trotted out as one of the achievements in energy conservation and in waste disposal, but so far it hasn't really proved to be much of an achievement.

Hon. Mr. Auld: Well, Marion, the problem I guess, politically, is that you try to get credit out of these things before they work and are accepted and are forgotten by everybody.

Ms. Bryden: Just one final question. On the question of transformers with PCBs in them—ones that have been discarded as well as those that are still in operation. Has Hydro got a complete inventory of where all these are—the ones that are in its own system? And has it got any very new regulations brought out for people handling them, the storage of them, for workers who may be exposed to accidents involving them? What is Hydro's role in this very serious problem of dealing with transformers, both the ones that are spent and the ones that are still in use that have PCBs in them?

Mr. Morison: There's a careful program of storing the PCBs from units which are no longer required. In the plants that we have operating with transformers or condensers with PCBs in them there is very careful protection against leakage of the PCBs. Containment systems are either in place or are being installed in areas where we do have them inside plants and the employees have been instructed in the concern necessary in the area of PCBs. I believe our practice in the different stations where they are takes into account the problems with this material.

Ms. Bryden: Are the employees monitored regularly to see if they have any health problems from handling or being exposed to PCBs in transformers, or in handling the oil from them?

Mr. Morison: I don't think I can answer that question, whether there's any examination of employees themselves. There's certainly an examination of whether there's any leakage and very strict precautions are taken regarding employees breathing material with PCBs in it.

Ms. Bryden: I understand the Ministry of Labour did a survey of transformers just within Metro and found about 60 per cent were having leakages. Have you any figures on what sort of problem you're having in that field?

Mr. Morison: I have no figures with me, but I'm sure our numbers are nothing like 60 per cent. Right from the outset we've planned precautions in the event of leakage of PCBs from transformers, so they will not get into the environment.

Ms. Bryden: Are you working with the occupational health branch of the Ministry of Labour on this question?

Mr. Morison: I don't think I can answer that question, but I assume there's contact at that point.

Hon. Mr. Auld: It may be helpful, Marion, that the Association of Municipal Electrical Utilities has sent out a number of bulletins to all the utilities about PCBs and spills and so on. There are a couple here, one from last June and one from last January; what to do about spills and how to designate transformer rooms that have transformers with PCBs in them; information about using other fluids instead of PCBs in transformers that came with PCBs. I'll send you copies of these if you like. There's a lot of it in here; I don't want to read it all tonight.

Ms. Bryden: Yes, that's from the electrical utilities association, is that right? Does Hydro have—

Hon. Mr. Auld: Which has gone out to all—

Ms. Bryden: —similar bulletins sent out to their staff?

Hon. Mr. Auld: I think Hydro uses the OMEA and the AMEU as their distributors.

Mr. Gordon: We do have similar bulletins and we have sent them out and then the AMEU has done this within the last year, or year and a half, I would say.

Ms. Bryden: Thank you, Mr. Chairman.

Mr. Chairman: Thank you very much, Ms. Bryden.

Mr. Deans: One question, very briefly.

Mr. Chairman: Okay, Mr. Deans.

Mr. Deans: I understand why Julian is here, I understand why you are here, I understand why I am here. We appreciate the other members of the committee. Why are all those poor people sitting here?

Mr. Chairman: Well, we're discussing the Hydro estimates relating to the Hydro, Mr. Deans.

Mr. Deans: What a penalty to impose on people. I hope you're paying them overtime or something.

[10:15]

Hon. Mr. Auld: Ian, you would be surprised the number of people who wanted to come and we had to say there just wasn't room for them.

Mr. Deans: I would indeed. In fact if you got them all here, there would be more empty seats.

Mr. Chairman: Any further questions from the members of the committee relating to the estimates dealing with Hydro?

Mr. B. Newman: I am not going to ask a question. I am going to give this letter to

both the deputy minister and the minister so that they can prepare an answer for me or tomorrow some time and not take up the time of the committee.

Mr. Chairman: Thank you very much, Mr. Lewman. That is very kind of you.

Hon. Mr. Auld: Mr. Chairman, on Tuesday night I had some questions about district heating and I wasn't able to give you all the information. I see there are about eight minutes left.

Mr. Chairman: We are expecting a vote in the House momentarily, Mr. Auld.

Hon. Mr. Auld: Will everybody sleep tonight if you don't hear about district heating?

Mr. Deans: You can open the next session with that.

Hon. Mr. Auld: I got the idea that perhaps the committee had covered all the things with hydro that they wanted to cover.

Mr. Chairman: Can we go on with the ministry administration program, vote 1901, item 1, main office?

Ms. Bryden: I would like the minister to give me the women's figures if you want to give up the time, but maybe somebody else has something more important.

Mr. Deans: I would be glad to carry the first vote if we could stop at that point and proceed with the second.

Mr. Chairman: I think the second vote also relates to the Hydro people, and this is why we have had them. We agreed to have them there and wind this up tonight.

Hon. Mr. Auld: I promise you, Marion, I will give you the affirmative action on vote number three.

Mr. Deans: That is fine. We will carry the first and second items.

Vote 1901 agreed to.

Vote 1902 agreed to.

Mr. Chairman: How about vote 1903?

Mr. Deans: Now, don't push your luck.

Mr. Chairman: It is just the renewable energy program. It relates to Hydro.

Hon. Mr. Auld: Solar and wind and a few things like that.

Mr. Chairman: We have enough wind here. I don't know about the solar aspect.

Do you want to continue on with vote 1903 and discuss it?

Mr. J. Reed: There is a vote about to take place in the House and, as a matter of fact, we had expected the bells would begin prior to this.

Mr. Chairman: We might be able to discuss vote 1903, item 1.

Mr. Deans: I would actually prefer to do it later.

Mr. J. Reed: I would too. I would prefer to do it when we are fresh.

Mr. Chairman: Is it the wish of the committee that we adjourn until Tuesday night at 8 o'clock?

Thank you very much. We shall adjourn until Tuesday night at 8 o'clock.

The committee adjourned at 10:18 p.m.

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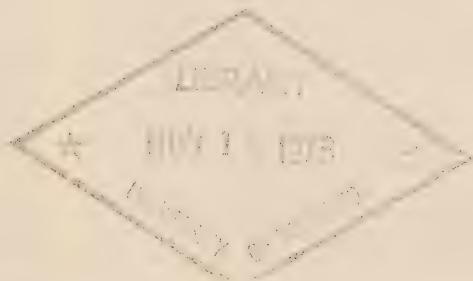


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Energy



Second Session, 31st Parliament

Tuesday, October 31, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, OCTOBER 31, 1978

The committee met at 8:11 p.m.

ESTIMATES, MINISTRY OF ENERGY (continued)

On vote 1903, renewable energy program:

Mr. J. Reed: Are you desirous of taking it one at a time, or do you want to do the whole vote in one shot?

Mr. Chairman: Whatever is the wish of the committee.

Mr. J. Reed: Perhaps with a little efficiency and moderation we just might get through this tonight.

Mr. Chairman: Very good.

Mr. J. Reed: If we can't, okay. The first indication we had about the renewable energy program, Mr. Minister, for 1978 was stated by your predecessor twice removed, I believe. He indicated that there would be about \$4.4 billion in the renewable energy program.

We felt that that was quite a desirable starting point to jump off from, because we felt that the potential for the development of renewable energy technology in Ontario is enormous and that we have a great deal of ground we can cover if our industry desires to participate in what is happening around the world.

So the first question would be, what happened? I realize constraints came on. I also realize that priorities are the order of the day well. So, what happened to the difference between your present budget and the \$4.4 billion?

Hon. Mr. Auld: Looking at the figures in the current budget it's \$1,121,000 in the 1977-78 estimates and the 1978-79 estimates are \$2,455,000.

Mr. J. Reed: Yes, \$2,455,000. About half.

Hon. Mr. Auld: About double what we have and about half of what my predecessor twice removed hoped for.

Mr. J. Reed: Oh yes, sure, 1977-78. But the original announcement was made at \$4.4 billion.

Hon. Mr. Auld: I'm not sure it was an announcement.

Mr. J. Reed: Well, it was a statement in the House, recorded in Hansard.

Hon. Mr. Auld: As I say, I repeat—

Mr. J. Reed: Do you recollect that? I didn't want to put the onus on.

Mr. Deans: Wait a minute, which one is the minister?

Hon. Mr. Auld: Which minister?

Mr. J. Reed: Well, at any rate, your predecessor twice removed had uttered these words about \$4.4 million for which I was delighted. As a matter of fact, I think it softened the tone of an attack I was taking that day.

Hon. Mr. Auld: I find that hard to believe.

[8:15]

Mr. J. Reed: Which is why I am concerned about it. I will try to get over the bunch of them in one swat in the interests of time.

In the development of the renewable program, one of the things that we have been concerned about was that the Ministry of Energy didn't seem to be structured in such a way that it could help to provide seed money to provide entrepreneurial energy projects.

Some personal experience with this indicates that while you have to your credit awarded some limited funding in that direction, it has had to go through another institution in order to get out to the developer of the project.

What I am concerned with is that in these cases, and in this case I only know of one situation at the present time, because of the need or the apparent need to award the seed money through an agency such as universities and so on, that a great deal of it has been taken off the top for administrative purposes.

Hon. Mr. Auld: Knowing something about that, having been involved with the universities in a different operation, the province generally, when we make an agreement with a university we specify how much comes off the top for overall administration and how much goes to the direct operation. That applies to energy, it applies to environment, it applies to natural resources, it applies, I think, to every ministry. There is a policy about that.

I think that the policy we follow, whether it be in universities or in other fields of endeavour, is a pretty good one. We have limited funds. We have to remember the government of Canada is putting very large amounts of money into research, pure and applied.

Mr. J. Reed: And apparently research and development.

Hon. Mr. Auld: Ontario Hydro is watching through the utilities network a great many projects. There is research going on in the western world and certainly in the eastern world, I suppose, in renewable energy all over the place. What I think we would all agree is a wise move is not to duplicate because it is a great big field.

Mr. J. Reed: I couldn't agree with you more.

Hon. Mr. Auld: I think the co-ordination is perhaps as important for a province as the amount of money we put into a direct project.

Mr. J. Reed: I agree with that. The monitoring of what is happening in the rest of the world is very essential to avoid duplication. But I am concerned here that what happens at the present time, when you make an award for a particular project you are bound to do it through the aegis of some agency such as a university, is that—

Hon. Mr. Auld: I don't mean to interrupt but if you look at the list, we are dealing with a good deal of private enterprises, builders, government agencies—

Mr. J. Reed: But is there any money here going directly to private enterprise without going through some intermediary that takes a piece off the top for administrative purposes?

Hon. Mr. Auld: I would ask Dr. Rowe to deal with some of the things that we are doing in housing.

Dr. I. Rowe: Mr. Reed was specifically interested I think in solar energy projects and he is correct in the sense we are using agencies. I would draw your attention to what we call the digest and that cited some projects in the residential sector. All these funds in the residential sector are funnelled down through the Ontario Housing Corporation.

There is a very specific reason for that. We believe that through the aegis of the Ontario Housing Corporation we get a significant amount of leverage, we get all their staff support, expertise and so on, at their charge. There is no charge at all to us. Our funds go directly for hardware or special design services and so on provided by consultants.

We find it's quite necessary to use an agency like Ontario Housing Corporation in order to build a very basic bank of expertise to appropriately assess some of the projects we are putting in place this year.

I think a very interesting example in the area might be the solar hot-water heating systems which I'm sure you know about. For have been installed in Ontario Housing Corporation single-family homes here in the city. When those projects were examined, of course we had Ontario Housing Corporation as the owner in a position to review the energy bill for these homes, have complete control over the premises, the installation and the subsequent monitoring. Monitoring, of course, is a very important part of any solar experiment. A solar experiment requires, of course, an understanding of what you're attempting to do with installation; providing information and publications on the scope of the project and the problems that have arisen and gone on; and eventually reporting as to their success or indeed, perhaps, lack of success. We can get this kind of control through Ontario Housing Corporation at no cost to the ministry.

The only college-university situation I can think of is the installation of solar collectors up at Confederation College. The deal there is we provide the incremental cost of the hardware and the direct design services without administration cost at all going to Confederation College.

Mr. J. Reed: Actually, I was thinking about a wind project.

Mr. Deans: Why didn't you tell him that at the beginning? It would have saved him a lot of time.

Hon. Mr. Auld: That gets us to page nine and we have quite a few of those.

Mr. J. Reed: I appreciate that, but in a situation where because there is a middle man, and in this case one questions the necessity of the middle-man, the full allocation of that award does not get to the project. That's really all I'm getting at. What happens is a university or an agency pulls an administrative pile off the top and only the balance goes into the actual hardware, the actual development. I say that in relationship to some of the projects that were undertaken by ERI when the American government put up money. It was a very broad-based kind of thing.

Sure, projects have to be assessed for their individual merit. Sure, they have to be monitored. Sure, they have to be reported on and understood that, but I am concerned that the money which is allocated and set aside

the actual development is not getting altogether into the nuts and bolts of the development work. I'm just trying to find a way to get a bigger bang for the dollar, a bigger bang for the buck.

Hon. Mr. Auld: No matter what you do there is some administration.

Mr. J. Reed: Sixty per cent?

Hon. Mr. Auld: No, no. If we are doing one-off projects to start off with, it seems to me we are better off and we will get more energy for the whirl by hiring somebody who has the administrative mechanism than to try to set up our own.

Mr. J. Reed: I'm going to have to go through this in detail with Dr. Rowe.

Dr. I. Rowe: Since the honourable member has raised the specific case of our wind generation program, I guess he's talking about the wind-diesel hybrid field test which is going on down at Centre Island, because we have no other funds going out in this particular area than that particular experiment in this particular budget.

Mr. J. Reed: I won't press for the purposes of saving time. I will talk to you about privately. At any rate I am concerned that we are inhibiting entrepreneurial development by the structure that we have. That's all I know that you have a lot of internal projects and many of them are very worthy projects and I am delighted to see them going on. It's just that you know, Ian, and I know that there's a wealth of talent and talents around this province, many of whom are not connected to institutions. Many of them are not connected to the corporate sector. Many people are simply private individuals with a certain expertise and I would think it would be desirable that they be allowed the opportunity to participate in that kind of development and that's all.

Dr. I. Rowe: Can I suggest to you, sir, that probably the most important objective of the program is to try to develop a commercially viable industry. I think I hear you saying entrepreneurship is an important part. For this reason, given installations like I have already mentioned through Ontario Housing Corporation, Confederation College schools and what have you, we go through rigorous tendering procedures. We bend over backwards to make sure that these legitimate small companies respond to these bids and once forward, are heard, and bid, and that they understand if they don't make it successfully.

Mr. J. Reed: Okay, I will put it one more way to you. If I conceive a project, an in-

vention, a design, a development, that's going to cost me X number of dollars and I draw up a budget for that thing and I say, okay, I can hack 80 per cent of this but I can't hack 100 per cent of it, can I come to your ministry with that project, have it assessed and be eligible for some kind of possible seed money if the project is considered worthy?

Dr. I. Rowe: Can I ask you, would you have \$50 in your pocket?

Mr. J. Reed: Would I have \$50? Probably not me.

Dr. I. Rowe: We have a setup with the University of Waterloo whereby they will carry out an assessment of your project, its feasibility, its commercial potential. You put down \$50. The federal government will put up the rest. You will have in your hand at least some kind of report that you are now in a position to go either to Bay Street or to ministries or indeed some of the federal type programs and so on, to go that next step.

Mr. J. Reed: How much does Waterloo take off the top for that service?

Dr. I. Rowe: I suspect they take 30 per cent off the top which your federal government pays.

Mr. J. Reed: Okay, we are getting close.

Hon. Mr. Auld: Those are friends of yours.

Mr. J. Reed: Sure they are. They are all friends. Anybody in renewable energy is a friend of mine.

One other question and then I will leave this subject. What is the state at the present time of possible sunright legislation for Ontario? We used to have it in Toronto until about 1895 or something when it was rescinded. In England there is something about the ancient rights to sunlight and I understand in Japan it's built right into their laws so we have looked at it and we have given some serious consideration to it. I read the treatise on sunright legislation. Where are we going with it?

Hon. Mr. Auld: There is a booklet about it. I am not a legal eagle but there are certain rights under common law as there are with restricting somebody's view this way or that way by sticking your verandah out, sticking your wharf out, various things like that and we won't pursue that any further. Just a sensible sort of statement.

[8:30]

No, seriously, there is no law that I am aware of in Canada, or perhaps in the Commonwealth, that has defined access to sunlight. But there is common law which defines access to what you have when you acquire some property and somebody in-

terferes with it. That can apply to water, the original riparian rights, wind if you have a windmill and somebody builds something in the way; a number of things. But to answer you directly there is no legislation at this moment planned for specifically solar access, because I suspect it will have to do with community planning and zoning and that kind of thing.

Mr. J. Reed: Are you suggesting to me then, that using case law or common law as it originated in England and as we have adopted it here, we are protected, that if I were to build a solar-oriented home, I could stand assured that I would continue to enjoy the access to sunlight?

Hon. Mr. Auld: No. Not at all. I'm just saying that is one of the kind of rights that has been dealt with in common law in various ways, depending upon the circumstances, over the years, and there is some case law about it. I don't know of any case law about sunlight as related to solar energy. I don't know about having a collector and having it interfered with by other than natural forces. But when that comes about—if it comes about, and I think it will—I think it will be related to planning. I would hope it would be related to planning, rather than statute, because it obviously has to do with planning.

I have read recently plans which can site houses—and this surprised me I must say. I figured if you were siting houses for sunlight, they would all be on one side of the street, facing south, or they would be on the side of a hill. In fact, there are ways of designing communities where everybody gets some sunlight during the sunlight hours and you can still not be walking in and out of the back door kind of thing.

Mr. J. Reed: So obviously you're not prepared to do anything with sunlight laws. That settles that, I think we got there.

Hon. Mr. Auld: You're telescoping the answer; that's not fair. I don't know the answer.

Mr. Chairman: Any more questions, Mr. Reed?

Mr. J. Reed: Yes, just one. Are we ever going to get to a \$4.4 million annual allotment for renewable development?

Hon. Mr. Auld: I would never want to predict what the Treasurer's budget will be.

Mr. J. Reed: Mr. Chairman, I'll debate that at any time. But I'm trying to assist the completion of this evening here.

Hon. Mr. Auld: It's hard to say, until we see the budget.

Mr. J. Reed: The poor guys in the Ministry of Energy must really sweat blood every time the budget comes up.

All right, thank you very much, Mr. Chairman.

Mr. Deans: Mr. Chairman, there is really only one matter I want to deal with—two: I want first of all to welcome our colleague Andy Watson to the committee and to tell him there is a prerequisite for membership on this committee he must understand in advance. You're replacing Mickey Hennessy, and Mickey Hennessy did two things. I want you to know Mickey kept me going in cigars. So Andy, if you're going to make it here, I'll leave it to your own judgment—but just a little care and consideration and you'll do well.

Mr. O'Neill: He's a freeloader of cigars.

Mr. Watson: I enjoy a number of bad habits, but cigars are not one of them.

Mr. Deans: In any event, I know you are here, God bless you. I just hope you can stand it. Incidentally, when Jackie gives you questions, ask for goodies.

To the minister: Why do you set two per cent for the energy requirements for renewable energy sources by the year 2000? It seems to me that two per cent on balance given what we now know about the technology, is a pretty meagre rate.

Hon. Mr. Auld: I was hoping you were going to say conservative.

Mr. Deans: Well, they are much the same—meagre, conservative. I understand that. I want to suggest to you that if you are serious—let me go back a pace: When you listen to what is being said by the oil companies and the gas companies and everybody—

Hon. Mr. Auld: Two per cent is 20 million barrels?

Mr. Deans: Twenty million barrels. It is one might say, a drop in the barrel. What I am worried about is this: if you set a two per cent figure, given that we now know there is every reason to believe that many of the renewable sources are practical, difficult to sell maybe, but practical nevertheless; that if you were to set a higher target figure, you would likely achieve it, that you only achieve what you set and if you set two per cent of 20 million barrels, then you may achieve two per cent or twenty million barrels.

If, however, we were in a crisis, and I hate to use that term, given how Hart Parrott responds to such words, but if you believed that we were in a crisis and if you believed, as many of us here I think believe that renewable energy over the long haul

going to have to be the source of much of our energy, why would you settle for such a tiny proportion? It reflects what I said to you in my opening statement that you treat renewable energy as if it were in fact a new technology which it is not. In world terms much of it is not a new technology.

Ion. Mr. Auld: Renewable in hydro electricity is not a new technology. Renewable in solar is a new and unproven technology commercially.

Mr. Deans: No, no. We could argue that one.

Ion. Mr. Auld: I know everybody has had his magnifying glass, but I am talking about a major operation which produces reliably and economically competitively—

Mr. Deans: Let me try something with you.

Ion. Mr. Auld: Let me finish that just for Hsard's sake.

Mr. Deans: Why?

Ion. Mr. Auld: Because people are so puzzled trying to figure out what we say here. At least, I never finish sentences. Now where was I?

It is a new technology, it is still not commercially viable nor competitive, and consequently, if it is not competitive, you have to impose it rather than having people ask for it.

Mr. Deans: Yes, but you are playing a novelty game. That is what I raised earlier with you. In 1952, that is a year I am familiar with for reasons I don't care to explain, but in 1952 even oil heat—

Ion. Mr. Auld: You must have some secret notions that you don't want to put in the report.

Mr. Deans: People had the coal man come around and dump the coal down the chute. Now in those 24 years, or 26 years now, I guess, we have moved forward fairly dramatically and it strikes me that, given the advances we have made in our capacity to develop new technologies, that to look at a two per cent figure in 1978 for the next 22 years is to be ultra conservative.

If the ministry were to establish—supposing we double it—if you were to say four per cent, and I don't even think that is an unreasonable figure, if you were to say four per cent, we would achieve it. The involvement of the government alone in the development of public projects, were they to be developed using solar energy, aside from all others, lie in themselves allow us to reach the four per cent level.

What worries me is that I've noted personally in the co-generation program I mentioned to you and in the whole solar field that the major obstacle is overcoming the

reluctance of the existing energy sources—oil, natural gas, and hydro—to the transition from their power source to another power source. They resist it with a tremendous degree of force and they do so at the peril of the rest of us.

I would urge you—I don't know how to do it—but I would urge you to take a look at your figure and to establish something that is a little more challenging and then to direct—at least in the public sector if you can't do it privately—but I think it will catch on—to direct in the public sector that we strive for a much higher figure in order that we don't face the inevitable consequences of the depletion of our resources without having taken the appropriate steps to replace them.

Hon. Mr. Auld: Let me just say a couple of things. I was interested that you said the public sector, which is the one that we control—

Mr. Deans: I've got to start somewhere.

Hon. Mr. Auld: —which, thank goodness, is not the largest sector. I think it's not a problem of the producers; it's the consumers. The residential consumer currently is buying more gas, switching from oil to gas because it is cheaper. If you look at Quebec, they have had a policy of subsidizing electrical energy because of their production sources and they have not had the same kind of thing with gas as has happened in residences in Ontario because the price has been the key.

Governments can decide whether they will use what appears to be currently not the cheapest source of energy because in the long term it's going to be a good thing. As I say, government is a small part of—I don't know what the percentage is—energy consumption in this province and in this country.

Mr. J. Reed: While we're on the subject, it's my understanding—I stand corrected—that in Australia the electric heating of water is now just not accepted, period, and that solar heating is used.

Hon. Mr. Auld: Why is that, Julian?

Mr. J. Reed: Because of the insulation.

Mr. Deans: Because of the overall program. There's an overall program.

Hon. Mr. Auld: You mean of the price?

Mr. J. Reed: You've got me. I haven't discussed it with Australian officials but I do know—

Hon. Mr. Auld: We were going to go to Montreal; now we'll go to Australia.

Mr. J. Reed: Yes. We'll go to Australia. That's good. We'll get a couple of trips out of this.

Mr. Chairman: We can't afford it.

Mr. J. Reed: You were talking about the technology—

Hon. Mr. Auld: No, I was talking about the price.

Mr. Deans: But you're carrying a brief for the industry, for God's sake. You may not be intentionally—

Hon. Mr. Auld: What I'm saying is how the consumer reacts.

Mr. Deans: The consumer reacts to what the consumer is told.

Hon. Mr. Auld: No, what the consumer pays.

Mr. Deans: No, you're wrong. You misunderstand the process, I think. When the oil companies decide that they are unable to provide, they switch. They then sell; and they're able, over a long period of time, to amortize the cost in order to make their product more acceptable and more purchasable in dollar terms.

The difficulty is this, that if you allow to happen what is now happening we will use up our oil; we will ultimately sell off or use up our gas; we will then price our electrical power out of the market. Then, those companies that are presently involved in providing those services will turn with great haste to other sources of energy and they'll provide that at whatever price the consumer can afford. What I'm suggesting to you is that if you want to wait for it to happen—

Hon. Mr. Auld: That's encouraging—and that's the kindest thing you've said about private enterprise for a long time.

Mr. Deans: Yes. They're parasites.

Hon. Mr. Auld: You said they will provide it at whatever price the consumer can pay.

[8:45]

Mr. Deans: I'm sorry, I've got to tie you up somewhere along the way. The fact of the matter is that when they want a higher price for oil, we've got none left. When they want a higher price for gas, we don't have any. Then when we have too much, we've got to sell it off; when we sell it off, we don't have any—and up goes the price. Eventually we don't really have any. Then what do we do?

What worries me is that you sit back and allow your policy to be dictated by a series of events over which you could have some control and over which you exercise no control.

There was a time when people used to have wood stoves. They were getting along very nicely, thank you very much. But the industry said they needed coal; so they moved them to coal, for Christ's sake, because they sold them coal. Then the industry decided—

Hon. Mr. Auld: But nobody took the wood away.

Mr. Deans: Hear me out. Then the industry decided it would be better to do it by oil so they damn well moved them to oil. They entered Hydro and "You Live Better Electrically"; so they moved them to hydro.

Hon. Mr. Auld: That's the public.

Mr. Deans: But hear me out. Then we discovered that we had so much gas, for heaven's sake, and what could we do with it? So we moved to gas.

Hon. Mr. Auld: We invented Parliament.

Mr. Deans: All I suggest to you is that we are being manipulated. If you're going to do something in the best interests of the public for God's sake, manipulate a bit. Be in it, involve yourself; set some decent goals. Don't settle for two per cent. Two per cent's minuscule. It doesn't even begin to address the potential. If you're serious about being self-sufficient, then you don't set two per cent goals. You set goals that are difficult to achieve, but achievable with hard work. If you fall short by half of one per cent and your goal is six per cent, then you're a long way down the road towards establishing your self-sufficiency. Not a long way, but you're part way down the road.

What I worry about is that you seem always to be in the margin. The others fill the void; they fill the major block. You don't see your role in that area.

I'll tell you something else. I'm not suggesting, for example, that the government need be the primary source. I'm prepared to accept the sun that provides solar energy, so, given that doesn't belong to you or me, we can accept it will be there for a while.

All I'm really suggesting is that if you're going to set some goals and establish priorities, then please establish your priorities in renewable—automatically renewable—sources. Don't allow yourself to be beaten, as your predecessors and others have been by the brief that is presented by the energy conglomerates. Their interest isn't providing energy. Their interest is in making money.

Hon. Mr. Auld: As far as I know, the ten per cent to which you refer is one that was established primarily—

Mr. Deans: Prior to your time.

Hon. Mr. Auld: No, by us.

Mr. Deans: What can you really achieve?

Hon. Mr. Auld: It would be delightful to achieve two, two and a half, three or four per cent.

Mr. Deans: What do you think you could really achieve?

Hon. Mr. Auld: I really don't know.

Mr. Deans: Why don't you know? You're the minister.

Hon. Mr. Auld: Because I haven't put that in the book yet.

Mr. Deans: In other words, because it isn't written, you don't know.

Hon. Mr. Auld: No, I don't know—

Mr. Deans: How about these lads who advise you? Do any of them have any sense of the potential?

Hon. Mr. Auld: I think there are all kinds of potential, but I also know there are all kinds of hazards.

Mr. Deans: Of course there are hazards. There are hazards in natural gas; you've got to pipe it.

Hon. Mr. Auld: I would far rather have a modest goal and double it when we're sitting here 21 years from now, dealing with these estimates, and be able to say that we made four per cent.

Mr. J. Reed: I'll be out building water wheels.

Hon. Mr. Auld: We might have been to Australia by then, Julian.

Mr. Deans: Do you understand what I'm saying to you? Without belabouring it—and I say no more after this—I have worried for a long time about the ability of the energy producers to change hats and to change directions whenever it suited their advantage. I include Hydro, incidentally, in that. They have done a remarkable job of switching positions. It seems to me, if one could exclude the whole private-public argument—and I don't want to engage in that, because much of what would be produced to accommodate solar energy or any other kind of energy would be in the private sector. That's where it could be; it would happen there. The development would take place there. The building would take place there. All of that would happen in that area. We are not quarrelling about that.

What I am suggesting is that if you are so modest in your goals as to not challenge the industry to meet some reasonably emergency situations, and if you don't establish as a primary goal that we have to move over a period of time to some degree of self-sufficiency—even if that's self-sufficiency against the Alberta government, God help us, Tory though it may be—you have to establish more of a challenge. They will make the change, believe me. If they see the province of On-

tario saying that these are the goals we have set and we are going to establish for instance, we now know you can heat hot water from solar energy; your pilot projects, God bless you, are about 10 years behind the times in technological terms.

Hon. Mr. Auld: We can burn holes through steel with solar energy. Not very competitively, but—

Mr. Deans: What would be the economics of not making the transition now over against making it 50 years from now?

Hon. Mr. Auld: I suppose because at the moment it doesn't work.

Mr. Deans: What do you mean, it doesn't work? Of course it works.

Hon. Mr. Auld: Mr. Chairman, if our little discussion is not pre-empting the time of other members of the committee to ask questions—

Mr. Chairman: It's quite all right.

Hon. Mr. Auld: —I would like to go back Ian, to what you said about the wood stove and the coal and stuff. I remember—

Mr. Deans: When you had no heat at all. You do; you're old enough.

Hon. Mr. Auld: Not quite.

Mr. Deans: You've been here long enough.

Hon. Mr. Auld: You are very kind. I wish you were right, but—

Mr. Chairman: Don't you rub two sticks together?

Hon. Mr. Auld: No, two voters together—and that's a story in itself.

I was going back to when somebody forced my uncle, according to your premise, Ian, to get away from the cook-stove and put a wood-fired furnace in the basement of the farmhouse. That was a great improvement, because it got heat all over the house. You still had to go down and shove wood in it, and it was a little tricky to make sure that it went all night, with the dampers and one thing and another.

However, somebody came along and forced him—forced him, you say—to throw out the wood and use coal. He used to cry all night, and I cried all night. But the fire went all night, and that was a great improvement.

Mr. Deans: You're killing me.

Mr. Gaunt: You didn't get much sleep.

Hon. Mr. Auld: No, with all that crying—

Mr. Deans: There was a lot of humidity in the house.

Hon. Mr. Auld: Now we don't have to do that; we have TV and we can cry. That's been another improvement.

Mr. Deans: Listen, you'd bring tears to a glass eye, for God's sake.

Hon. Mr. Auld: Then I remember when grandfather was forced—those guys came up with the big clubs—to put oil burners in the furnace in the basement of the house in Toronto. And we cried all night. "Oh God, I won't sleep tonight." But eventually we got used to it. It was so much simpler. And the next thing you know, we had a thermostat. Instead of somebody going down and opening the valve or the damper, we had a little knob—no profanity.

When I think of what I have gone through over the years—

Mr. Deans: Think what you've put me through over the years.

Hon. Mr. Auld: —these robber barons, coming around and making us get into gas heating, electric heating—it shows why we are a hardy, pioneer type of people.

Mr. Deans: Why don't you want to save them from more of that? Why do you want to leave them at the mercy of these rotten people who have deprived them of the things that were best for them? You are doing it every day.

Hon. Mr. Auld: Mainly because I now have a hernia and I can't stoke the furnace.

Mr. Deans: But I want you to know that you don't have to stoke the sun. As a matter of fact, if you could speak enough, we could have wind energy.

Hon. Mr. Auld: You have to have a great big shoehorn in case there's a cloud. Other than that, Ian, I don't disagree with you.

Mr. Deans: You don't?

Hon. Mr. Auld: We all know all energy comes from the sun originally, and it has taken many forms, but so far there are a few things to be done to make sure that it works reliably.

Mr. Deans: Do you know why? Because the industry doesn't want it, Jim; that's why.

Hon. Mr. Auld: That's right. And somebody is going to come rapping on our house.

Mr. Deans: Because they want to sell what they now have. They want to exploit what they now have. Damn it, if they thought there was an end to it right now, they would be moving to create the other source.

Hon. Mr. Auld: The instant sun.

Mr. Deans: Are you going to wait until they are in the driver's seat again?

Hon. Mr. Auld: Yes.

Mr. Deans: Yes?

Hon. Mr. Auld: When they knock on the door and say, "You now have to have free sunlight," we'll fight against it.

Mr. Deans: Oh, come on, Jimmy. You've seen what happened to your poor uncle. There you are, suffering from your hernia, unable to help him stoke his furnace any more. Do you know who created that situation? The very people you are prepared to hand the whole thing over to.

Hon. Mr. Auld: As somebody said, "Give me something tangible."

Mr. Deans: If you were to tell the industry that in two years' time there would be no resource available to them other than the sunlight, within that two years they would have created all of the technology, they would have installed it and we would all be living by it.

Hon. Mr. Auld: Holy mackerel!

Mr. Deans: Yes, holy mackerel. Do you know they send people to the moon these days? I know you haven't kept up with things, but they send them to the moon, damn it.

Hon. Mr. Auld: Along with heating.

Mr. Deans: Oh, well, anyway, that's that carried. Let's get on with it.

Let's talk about the 250 phone calls a week. That might be more interesting.

Hon. Mr. Auld: Oh, is that in here somewhere?

Mr. Chairman: Shall we carry item 2? No we haven't carried vote 1903, item 1. Is that carried?

Hon. Mr. Auld: I thought we were going to do them together.

Mr. Chairman: This is what I was saying.

Mr. J. Reed: This was an all-encompassing exchange.

Mr. Chairman: Very much so.

Mr. Watson: I was going to ask, if might—

Mr. Deans: He deserves a hand.

(Applause.)

Mr. Deans: And it had better be important.

Mr. Watson: Is the government willing to consider grants to private individual homeowners for installation of solar heating devices?

Hon. Mr. Auld: The federal government has a program, as we're all aware, of a maximum of \$340. So far, I am told—

Mr. Watson: That's on insulation, isn't it?

Hon. Mr. Auld: That is on insulation. What we have done, and I think perhaps equally not more effectively, is remove the provincial

sales tax from insulating materials. It is hard to say, but I am told that the applications for the federal grant are less than they had anticipated. Nobody can really assess how much provincial sales tax has not been paid, or what the investment has been in the subsidy on insulation, but at the moment there is no plan to duplicate the federal program.

Mr. Watson: I'm not thinking in terms of insulation; I'm thinking of people who want to install solar panels to heat water, to heat their homes and this kind of thing. I realize there is an experimental project for agricultural areas, in connection with the federal government, on heating air for corn dryers and things like that. But I wondered if there was anything else.

Hon. Mr. Auld: Perhaps I should answer it his way, Andy: The main push of both the governments of Canada and of Ontario is to assist the production, the supply side, and, as we talked about a while ago, to assist the solar industry in assessing technology and assisting it to be commercially viable.

The feds are involved, I think, to the extent of \$125 million in their PUSH program, which provides assistance to industry in producing effective equipment and supplying a guaranteed market.

9:00]

We ourselves are involved in a more modest way through our solar demonstration programs, which Dr. Rowe was talking about a while ago, and a variety of them are described in the government of Ontario energy projects for 1978-79. Not all of them are covered in the money in our estimates, because other ministries are involved and we have sort of a co-ordinating role. Housing is involved and puts up the money for the housing projects. Government Services has one some really surprisingly effective programs. The retrofit of the York county courthouse downtown, on University Avenue, is saving about 30 per cent in energy costs; and the new courthouse in Newmarket will reduce its energy costs by something in the order of 40 per cent compared with a traditional building containing the same number of square feet a couple of years ago. The money for that is not shown here; it's in the government Services estimates.

I think it's fair to say that the Ministry of Energy has accomplished a great deal by co-ordinating and encouraging and spreading information amongst other ministries. I don't have the figure right in front of me, but the energy buses that the Ministry of Industry and Tourism is running around the province and industry have been able to show the effect

of certain things being done in an industry which have saved them a lot of money in energy costs and which have reduced the energy load.

Mr. Watson: Yes, I'm aware of that, but if I may offer a personal example: My next-door neighbour happens to have just completed a solar house and he hasn't even got a gas line into it; he's got a room in the basement full of rocks which he heats in the daytime and at night. As far as I know, he's had no assistance at all from any government sources, and yet I suspect that the information he's going to get and the mistakes he's going to make are going to fall financially on him. Whereas, if I want to build mine, I'm going to benefit by his mistakes, and yet they will have cost him money.

Hon. Mr. Auld: I suppose we might say that's life, because it happens to a lot of us in a lot of fields. Let me put it to you this way: Do you believe that we—the government, the taxpayers—should make some sort of grant to everyone who has a new idea or wants to try out a new kind of a project in energy conservation?

Mr. Watson: I don't know whether we should, but I know that a lot of individuals come up with ideas that people at universities sometimes don't come up with.

Hon. Mr. Auld: That is right, and what we are trying to do is sieve them out and take, say, one of each that appears to have a reasonable chance of success, have it applied by someone and monitor it. Ian perhaps can pursue that a bit in a variety of things that we are involved in—and we are not the only ones. As I said a while ago, we are monitoring what is happening in other jurisdictions. There's a great deal of interest in this; there's no question about that. The real trick is to use our resources as effectively as possible and not to duplicate what others are doing.

Do you want to add anything to that, Ian?

Dr. I. Rowe: I guess the real issue is, how do you get the most value for the dollar? Suppose you had a grant scheme. Who would benefit? Obviously the home owner, who would get the largess of the government if the government had the funds for this kind of thing, would benefit directly. Then what are the downstream advantages from it? Can his knowledge or experience be translated to the rest of the province? I leave that as a question for you, because I suggest to you that if government takes the role of looking at all of the opportunities—and let me just try to list them.

There's residential hot water, solar supply, and commercial and industrial in southern

Ontario and northern Ontario. There are six or seven types of technology of different scale and in different regions and so on that should be examined and information disseminated on this kind of a thing for just hot water alone. When we move into heating, there are air systems, hot water systems, heat pump or heat pump-assisted systems and gas and oil-assisted systems for residential, commercial and industrial space, large and small. Again when you work through the permutations, you have to look at your available budget.

You may feel it is better to look for these specific cases that are true demonstrations in each one of these areas, work them through, try to get the industry to produce package systems and produce the standards and specifications and then publicize these so that others will pick it up. In this way, we feel that given limited resources—and indeed I think we are working with very limited resources and that all of us would like to see a much larger budget—we can get the most leverage and use these as examples. Bring in developers and builders and so on to see these examples and discuss the problems that we have had with them and get them to practice them.

On a larger budget situation, we are recommending that we look at model-home types of situations. It's the same kind of thing. If we can get a developer or a builder to concentrate his energies in one home in a subdivision, again we will get his experience translated to that subdivision to other similar homes. This is the next level of escalation that we would advise, that is, to work directly with and on the developers.

For the consumer, I suggest to you, it would take a very large amount of money to have the same information impact, to have the same final dedication of delivered systems. It's really a matter of trying to use our limited resources as effectively as we possibly can.

Ms. Bryden: I have a couple of questions. I was somewhat intrigued in August to hear the minister's predecessor suggesting that the government might sell off its \$100 million investment in Syncrude and use the money for developing alternative energy sources including solar and other things. It certainly would be a very large increase in the amount that you are spending now in developing renewable energy sources.

I wonder if the minister agrees with his predecessor that it might be desirable to liquidate the Syncrude investment and use it for this purpose. I know when it was first made the government said it was a very good investment, but perhaps they have found out now

that it really wasn't such a good one in that the deal was rigged so that the private companies could manage to arrange so that there was no profit to share among the other investors. Presumably, the minister has realized that it wasn't a very good investment.

Does the present minister intend to get out of this Syncrude investment and, if so, to use the money for developing renewable energy sources, or is this just part of the government's program to liquidate its investments in order to boost its sagging reviews and try to reduce its overblown deficit? Can we expect if there is such a liquidation, that most of it will go into renewable energy development?

Hon. Mr. Auld: You may not sleep tonight either because I have to tell you that the province's five per cent is being treated exactly the same way as all the other investor five per cent. Some dividends have been paid of something in the order of \$800,000 to our five per cent. When we went into it, we went into it to make sure that it was going to come about. I thought it was important to the consumers of Ontario that they have a seat at the table when those resources were being developed—it was important that that project go ahead.

It has been successful. It is now functioning. There is one other operation. The public have about 30 per cent of Syncrude; private investors have gambled on the rest. All the gamblers I think would be equally happy percentage-wise, that—

My predecessor indicated that he had had an inquiry to see whether our \$105 million worth was for sale. It seems to me he said it was an offer in the order of \$140 million. A number of firms have shown interest. I gave out a press release a while ago saying we had not decided to sell, but since there was interest shown we would like all those who were interested to make their proposals to us before November 15.

A number of firms are talking to the Ontario Energy Corporation, which is the holder of Ontario's interest. Those offers will be evaluated and they will be presented to the government and the government will decide whether we are going to sell or not. If we sell all or part of the investment—and I'll come to that again in a minute—then what will happen to the money I can't say. It would seem to me not unlikely that it might be used for other similar ventures in the energy field, but that's a decision that has not yet been made. So far it has not yet had to be made.

Coming back to the interest, part of the original agreement for Syncrude was that Alberta, through either itself or one of its

agencies, could purchase under a set formula, five per cent of the total interest of the original participants. In other words, they can purchase five per cent of our—I've got the president of the Ontario Energy Corporation to explain that.

Mr. Rowan: Under the agreement with all the participants, the government of Alberta decided that they would like to have the option of acquiring an additional amount of equity of the Syncrude project. You will recall that out of the Winnipeg agreement the government of Alberta took a 10 per cent equity. The so-called option agreement allows Alberta to acquire from five to 20 per cent of the Syncrude equity within six months of the deemed production date. The deemed production date is around January 1, 1979, so between then and the end of June, Alberta has to decide whether it wishes to buy any of the Syncrude equity.

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The Alberta government decided some time ago that it would assign its option to the Alberta Energy Company, which is a quasi-government, quasi-private-sector company, which would then hold the original 10 per cent Alberta investment. If the Alberta Energy Company decides to exercise that option—if it took up the whole 10 per cent—it would mean that the Ontario government's equity or interest would be reduced by one percent; our five per cent could be reduced to four per cent.

Ms. Bryden: From \$100 million to \$80 million?

Mr. Rowan: Approximately. The so-called option that Alberta has is based upon the original book value at eight per cent interest compounded; and some of these costs go back to 1965. The exact amount is to be worked out, and this we understand the Alberta Energy Company are doing right now.

We have heard that the Alberta government recently has stated that if for any reason the Alberta Energy Company does not exercise the whole 20 per cent option, it will step in and take the difference between whatever the AEC exercises to the 20 per cent. So we are just waiting now to see how the AEC decide to proceed, and what the Alberta government will do then.

Ms. Bryden: That means, Mr. Minister, that you probably have an assured market for \$20 million of the \$100 million, unless that \$100 million has appreciated in value. I think you suggested that Mr. Baetz thought he could get \$140 million for it, but in a newspaper story on it in August he said:

"On a bright and sunny morning when I am feeling optimistic I'd say Ontario's investment could be worth up to \$140 million."

Mr. J. Reed: A profit?

Ms. Bryden: But I don't think he had any firm offer of \$140 million, and I doubt whether he could get more than the \$100 million or whether he will find an investor for the \$80 million that is left after the Alberta government exercises its option.

I think the minister also suggested that the deal had proved to be a good one. But a five per cent interest does not really give us any control. A seat at the table with a five per cent interest is worth very little. I agree they have paid out some dividends at the moment, but we have no control over their operations, or over their expenditures. Whether there will be any substantial profits in the future for distribution to the minority shareholders is something that we cannot control. It was pointed out at the very beginning that was part of the deal and it is not really a deal to our advantage.

Hon. Mr. Auld: The distribution has to be to the common shareholders in the number of shares they hold.

Ms. Bryden: Right.

Hon. Mr. Auld: There is no way that the company can pay the majority shareholders and not the minority shareholders.

Ms. Gigantes: But they don't pay any shareholders—

Ms. Bryden: But they can arrange so that there are no profits. The majority shareholders can arrange that. You know enough about the capitalist system, Mr. Minister, to know that a five per cent interest does not give you any real control.

Mr. J. Reed: The system that always works best.

Hon. Mr. Auld: All I can tell you is what has happened to date.

Ms. Bryden: How much return on our investment have we got?

Hon. Mr. Auld: Roughly \$800,000.

Ms. Gigantes: Three years, on \$100 million.

Hon. Mr. Auld: Of course, we have had the investment and we have had no interest on it to date. But we have had a dividend and there will be more I think.

Ms. Gigantes: You have had \$100 million invested in that project for three years. Right? And you have made \$800,000?

Hon. Mr. Auld: No, not quite because we didn't invest the whole \$100 million. In

fact, we have just completed the last part of our payment. We have been putting in so much a year—\$14 million last year, as I recall.

Ms. Gigantes: Has anybody in your ministry sat down and figured out how much you would have earned if you had bought Canada Savings Bonds instead?

Hon. Mr. Auld: No, but it isn't hard. You can do that very easily.

Ms. Gigantes: Let's have the figures, because it would be a lot more than \$800,000 for three years' investment, I think, on the money you put in.

Hon. Mr. Auld: That is true, assuming we never get another nickle. On the other hand, we have now made the investment. If we keep it and it continues to pay a dividend, it will be considerably more than nine and a quarter per cent.

Ms. Gigantes: When did your ministry announce you were interested in selling your share?

Hon. Mr. Auld: About three or four weeks ago. But we didn't say we were interested in selling, we said we were prepared to receive offers.

Ms. Gigantes: Have you had any offers?

Hon. Mr. Auld: Yes.

Ms. Gigantes: What offers have you had?

Hon. Mr. Auld: I will indicate that when they are all in and evaluated.

Ms. Gigantes: When was the dividend announced?

Hon. Mr. Auld: It is revenue the company has earned so far on its investment.

Ms. Gigantes: When did you get it? When was it announced?

Hon. Mr. Auld: The way it has been dealt with is that the investment which we have made has been reduced by that amount. It shows as our investment. Again, I will defer to the president of the Ontario Energy Corporation.

Ms. Gigantes: When was that announced?

Mr. Rowan: In answering your last question, if I may briefly sketch the—

Ms. Gigantes: I just wanted a simple answer, I didn't want a sketch.

Mr. Rowan:—sketch the—

Ms. Gigantes: I wanted to know when you knew by how much money your payments were going to be reduced, which is your dividends as you say, and when you announced you were interested in receiving offers.

Mr. Rowan: The questions you are framing are very difficult to answer, because there isn't an answer to them. The agreement between the participants in Syncrude is structured so that Syncrude itself does not sell any of the product. They produce synthetic crude oil. The crude oil is provided to the participants in proportion to the participants' equity in the company. We, the Ontario Energy Corporation, receive a five per cent share of the crude oil produced. The corporation has entered into an agreement with the Alberta Petroleum Marketing Commission which markets that crude oil and they are selling it to one of the oil companies to be refined here in Ontario.

The revenue to date from those sales, as the minister has indicated, has amounted to \$800,000. That revenue has—

Ms. Gigantes: Can I take you back—

Mr. Chairman: I think Ms. Bryden had the floor and I didn't hear her supplementary on your part. If we're going to run this meeting properly, I think Ms. Bryden had the floor first. I would like to know if there are any other speakers following Ms. Bryden.

Ms. Bryden: We were trying to get figures on what the return on the investment was.

Mr. Chairman: I didn't hear a supplementary from Ms. Bryden.

Ms. Bryden: I think Ms. Gigantes was—

Mr. Chairman: Well, Ms. Bryden had the floor. We're trying to run this meeting in an orderly fashion.

Mr. J. A. Taylor: Mr. Chairman, on a point of order, seeing as how you're trying to be orderly: I see vote 1906 deals with the Ontario Energy Corporation and—

Mr. Chairman: Mr. Taylor, we're under vote 1903, items 1 and 2.

Mr. J. A. Taylor: Is this under the proper vote, then?

Mr. Chairman: We're talking about the renewable energy program and I was under the impression that Ms. Bryden was to wind this one up and then we were going to go on to 1904.

Mr. J. A. Taylor: Is that renewable energy?

Ms. Bryden: I have one other point under renewable energy. I have here a CMHC report called Renewable Energy in Remote Communities, the State of the Art. It came out in July 1977. It suggests all sorts of forms of energy that could be provided to remote communities by relatively inexpensive means. Is the ministry aware of this report and are they studying it?

Its conclusion is that there are a lot of potential sources for producing energy in remote communities such as small-scale hydro, wind turbines, wood furnaces, the production of methanol in small fuel plants based on forest biomass and so on. The final conclusion is that not only do we need research and development of these sources, but we also need assistance in what they call diffusion of the sources—seeing that the wood furnaces and the things that are needed for this small-scale production rate produced and available in the north—since one of the things that hold them back to using the nonrenewable fossil fuels is the lack of these other facilities that could be a substitute for high-cost, nonrenewable fossil fuels.

Has the ministry looked at this report at all, or can the minister tell us what they are doing on it?

Hon. Mr. Auld: Perhaps, Ian, you might comment on that.

Dr. I. Rowe: With your permission, Mr. Chairman, I will defer to Dr. Higgin, who has looked at the report in detail, but I would make the general observation that this subject has appeared in many different kinds of documents and places. As I am sure you are aware, having looked at our energy digest, the things like wood gasification, wind generation, wood-stove technology and so on are all being actively looked at. The Treasurer has seen fit, to the best extent through the sales tax reduction, to try at least to provide some measure of incentive to these objects. I would make the general observation, following on some of your remarks, that the government is not in a position to provide direct grants for this kind of technology, most of which is technology in place.

Ms. Bryden: The conclusion is that there is a need for government support, not only at the initial research and development stage, but also at the later stages of the innovation and diffusion process. I don't know that that necessarily requires grants. It probably requires the stimulation of small industries to develop these particular kinds of technical processes and to make it available to northerners.

Dr. I. Rowe: Maybe we could have Dr. Higgin address particularly the work we have done with the manufacturers' association—Canadian Wood Energy Institute—and some of the other projects of a more research nature where we are interested in peat recovery or pyrolysis and so on, if this is the point of your question.

Dr. Higgin: I am Roger Higgin. I am senior adviser for renewable energy in the ministry.

It is quite a time since I read the report. As I recollect the report, the thing that prompted the report was the involvement of Central Mortgage and Housing Corporation with the provision of housing to remote communities, primarily native communities. The provision of services to those communities is a very expensive proposition; so they were looking at low-cost or low-technology ways of providing part of the energy needs of those communities by first of all making the houses as autonomous as possible and then providing the needed external energy, if you like—the electrical power requirements and so on—using some of the renewable technologies. I think the author of that was Michael Glover; at least he was involved in that process.

As regards the basic technologies that they propose there, other than that the climatic region is quite severe in many of those communities, they are really proposing technologies which include a large amount of the passive solar type of systems. They are proposing solar water heating and the increased use of wood-burning stoves for both the heating of water and the provision of space heat. If I recollect the report, it also went into, as you said, low-head hydraulic power for the provision of the central electricity portion of the communities' needs and I think they did mention in there, because there has been work going on for quite a while, such solar systems as wood gasifiers which feed into engines which provide electric power and so on. What I'm saying is that the Central Mortgage and Housing Corporation has a specific interest in that because of its provision of that type of housing to the communities.

[9:30]

As far as the Ontario government is concerned, a lot of the demonstrations that we are doing and we have under way are directly applicable to that type of situation. We are, for example, moving into passive solar heating demonstrations. We already are involved with water heating and, as Dr. Rowe indicated, we will be trying to get a geographic spread. We'll be covering northern Ontario equally well to southern Ontario, so that the information as you call it, and that's the development demonstration information that we gather, will all go into this sort of pool of knowledge on what you can do in these remote communities.

Specifically, we have reached an agreement in the renewable energy area with the Ministry of Northern Affairs, which wishes

to apply some of its funding into renewable energy types of projects for northern Ontario, and in particular it has a strong interest in this remote community area. As you know, we are already involved in this wind diesel hybrid program, and for some time there have been a number of people, one I can see here, who have been advocating that low-head hydraulic power should be more widely looked at for provision for remote communities.

As you probably are aware, Ontario Hydro is now undertaking a demonstration of the package unit that was produced by Barber Hydraulic called the Mini-Hydel. In fact, they are doing this demonstration in a community which is not remote. It's Wasdell Falls, which I understand is near Washago. They did do work for Central Mortgage and Housing Corporation and the Department of Indian Affairs and Northern Development for Deer Lake for a low-head hydraulic unit of the same type and the federal government hasn't made a decision on that.

In addition, Ontario Hydro are involved with the Canadian Electrical Association in looking at the feasibility of the wood gasifier engines, so although we don't specifically have a program which is titled "Provision of Energy to Remote Communities," we do have a program element in our renewable energy program which is basically remote power systems, and the other part of it, which is the provision of part of the heating requirements of the individual residents, is all part of the overall solar activity.

That's what I'm saying, and I think we are contributing towards that direction, but we do have a specific activity which is remote power systems which involves a low-head hydro and the wood gasifier engines and the wind-diesel hybrid type of power systems for providing central electricity supply.

Mr. J. Reed: Just as a supplementary if I might, Mr. Chairman, Roger, would you be careful to see to it that the cost input into that low-head project is not the cost that is used ultimately to determine the feasibility of that project?

Dr. Higgin: It is a demonstration project and I think it is viewed as that, and one should never assess future economics based on the first type of demonstration. I think the purpose there is that we do have a manufacture in Ontario, and it's the only one in Canada that I'm aware of, that is producing this packaged low-head hydraulic unit in two versions—one where it can be used with an existing dam and so on, and I

think the purpose of doing that demonstration is to show that this is a feasible type of unit.

I think the main area for new installation will be northern communities. As you know DIAND, the Department of Indian Affairs and Northern Development, is responsible for providing the capital for the provision of those services. As I said before, there is a active proposal for a unit very similar to the Wasdell Falls unit for Deer Lake, and that is not viewed as a demonstration actually, it's viewed as a sort of first commercial project, and in timing that will follow from the Wasdell Falls demonstration.

Mr. J. Reed: I brought up this subject with Hydro a little earlier and I won't dwell on it. I did express a very deep concern that that half-million-dollar figure for 13 kilowatts might ultimately be used by Ontario Hydro to prove the non-feasibility of small hydraulics.

Dr. Higgin: I'm not aware of the terms of the agreement that Hydro has entered into with the company, but I do understand that in principle there is provision to recover part of the development costs into that unit at Wasdell Falls. If they had a number of a hundred of these, then it would be very much lower, but because of the fact that they've incurred a lot of costs to date that are going to recover part of those costs there.

Lastly on that, I might add that Ontario Hydro has done a resurvey for Northern Affairs of six of the railway communities from a low-head hydro point of view looking for alternatives to the diesel installations. They have not yet reported but they have indicated that there is one of those, and only one, where there may be some potential and that's worth looking into further. We're expecting that report about now. Actually, they said that at the end of October they would be reporting on which of those, if any, was suitable.

The other thing is that within those communities where basically the provision of services and power is under the Ontario government electrification program, there have been going back and looking at the possibility of having these Mini-Hydel-type units providing part, if not all, of the power.

Vote 1903 agreed to.

The committee recessed at 9:38 p.m. a vote in the House and resumed at 9 p.m.

On resumption:

On vote 1904, energy conservation program:

Mr. Gaunt: I will be very brief. I just wanted to pick up on the discussion with respect to renewables. I think the problem basically is not a technological problem, it is an institutional problem. If, for instance, the oil companies had complete control of the renewable technology which is presently in place and which we know about and could make more money than they could make currently in selling oil, we would have it tomorrow. That is the way I see it.

I think the whole matter of renewable energy is a question of economics basically. The economics come down to whether our institutions—in the example I used, the oil companies and others—could make more money by renewables as opposed to selling oil or whatever they happened to be selling currently. I think it is just about that simple in my view. That is not to say that the renewables are going to come easily and it is not to say that they are going to come quickly. But I think that it is not a technological problem with which we are faced. It is more of an institutional problem.

Hon. Mr. Auld: I guess I would say that for oil companies, whatever that encompasses, are involved in more than petroleum resources because they are looking ahead to the time when something else may be equally effective and cheaper or to the time when they run out of their current product.

No matter what you accept as the so-called proven reserves, it is unlikely that we would switch from oil until the present economically usable reserves are used up. I guess the real question is how much are we prepared to pay for oil because it seems that the further we go and the more difficult it is to recover, the higher the cost goes.

[1:00]

That is the greatest encouragement to those who are interested in other forms of energy production. Renewable is one of them, and probably in the long term, the one. To put it another way, the faster the price of petroleum products goes up, the more incentive there is to develop and the more economical, in the first instance, other forms of energy become. That isn't any prediction; that's proven by what has happened in the past. It applies to a whole lot of products. I guess the changes in form that we were talking about earlier came about because energy was so cheap, comparatively speaking, and we could afford it.

The philosophy is pretty simple. It's applying in the practical applications that become a little more difficult.

Mr. Gaunt: I don't want to pursue it. I suppose we could devote hours to discussion on this subject.

I want to switch now to another phase of what we've been talking about, having to do precisely with this vote—the conservation aspect of it. It has been said that conservation is simple, obvious and right. I suppose those things are applicable to some other things but perhaps more so to conservation. It seems to me that our society is being drawn very slowly into the conservation movement for one reason or the other and I can't really put my finger on why it's taking so long to do some obvious things.

I'll cite one example that somewhat distresses me: I had some contact with a person who is involved in the development and design of—I guess what one might call a turbo car. The testing of this particular technology has proved that it consistently will give 65 to 70 miles per gallon. This is a Canadian technology, this is being developed here. These people went to the federal Business Development Bank for funding and were turned down; they came to the Ontario Development Corporation and were turned down; they went to the States and the federal government in Washington has now provided \$3.6 million as an outright grant to them. Apparently, as of Thursday or Friday of last week, they're going to Puerto Rico. They're going to build their main plant in Puerto Rico, and the Puerto Rican government is going to give them a substantial grant, although it wasn't definite at that point exactly what amount that would be.

It seems to me that somewhere along the line we're missing the boat, and as I said earlier, I can't put my finger on it. Is it because we as Canadians are reserved, we don't want to take the risks? Is it because we're not prepared to put venture capital up front on a thing like this? What is it? I don't know. I guess if you're not prepared to take the risks, it's awfully hard to reap the benefits.

Hon. Mr. Auld: Yes. And one of the problems we have always had in this country is our domestic market—the size of it compared to, say, the US market. Then we get into the whole question of tariffs and that kind of thing and where should you establish—as somebody said a little earlier the first one is the one that costs all the money. That was in connection with that Hydro plant—the development costs and so on—and what kind of a market.

Let me go back if I may, just for a minute, to the solar energy thing. We have some figures, and this is on so-called retrofit—putting a solar hot water system into an

average house. We have four different sums relating to different houses. They range from about \$2,600 for one to \$3,069 for another, an average of \$2,000 to put in a solar hot water heating system.

I know that once you get it in there are no energy costs. But when somebody is faced with that compared to—it used to be renting a hot-water heater for \$3 a month, or buying one for perhaps \$150—most of us take a look at that and we look at the interest on \$3,000 at nine per cent and what that comes to a year, and we decide we can afford to pay for the energy. It may well be that cost will come down, and it will certainly be less if you build it into the house when the house is built. But that is one of the practical problems in looking at a form of renewable energy in its present state of development.

Mr. J. Reed: By way of supplementary, the hon. minister brought up a very important consideration when we are making choices about capital expenditure for a given kind of energy project. One of the things that has always concerned me is the fact that the capital requirement for, for instance, a solar-powered hot-water heater is up front for the consumer. The capital requirement for the electric-powered hot-water heater is not up front but it's there just the same. That's the hooker in this whole business. We—

Hon. Mr. Auld: What is your solution to that problem?

Mr. J. Reed: Let me paint the picture in just a little more detail. We are about to be invested, in Ontario, up to about the sum of \$5,000 for every man, woman and child, for the purposes of supplying ourselves with electric power.

Hon. Mr. Auld: Yeah. And running our street cars, and running our industries—

Mr. J. Reed: Yes. At some point we can understand—we know now how to understand—the proportions awarded to those various exercises. So then you ask how can that capital be displayed on equal terms. One of the suggestions I've had in the past, and I think there's a certain validity to it—

Hon. Mr. Auld: There are no grants paid to Hydro other than for rural electrification.

Mr. J. Reed: No, and I wouldn't ask for a grant to be made in this case. But it seems to me that if that capital were transferred into up-front capital, for instance for a home owner who wanted to put it in—sure they've got to repay it, and they should repay it—under those circumstances it should make good economics to repay it, it should be justifiable; if it's not then we shouldn't be doing it. But the fact is, if the capitalization

were equalized in that sense I think it would go a long way towards upgrading the status of certain types of solar application, as opposed to the alternative of electric power utilization.

Hon. Mr. Auld: I guess when the cost of running that hot-water heater gets up to \$300 a year then it makes sense. Or when the capital cost gets down to \$1,000 or \$500.

Mr. J. Reed: Of course, we could debate the individual dollars much longer than we'd like to take time for tonight. I can tell you about solar water heaters that I know of that can be purchased for \$1,000, so I don't think we need to get into that. But when a consumer is deciding on that purchase, what the consumer is not fully aware of is the amount of capitalization his investment in a Cascade 40 actually demands, because it's deferred over a long period of time. Yet when that 4,500-kilowatt heater goes into the house, a share of the capitalization necessary to run it is his share that must be amortized over the next 20 or 30 years.

Mr. Gaunt: If I could get back to the problem with the car. My question involves the matter of economics, money. What these people need is money. How do they get the kind of money we're talking about? Is there any vehicle provincially, federally, or a combination of both, in which that kind of money can be made available as seed money to a company that's branching out? Although the technology is new, it has proven itself in many areas and we may end up losing. We'll end up ultimately, I'm sure, with the cars but they'll be made down in Puerto Rico.

Hon. Mr. Auld: The ODC's maximum loan under the current policy is \$500,000. And ODC's primary objective is producing jobs rather than energy saving cars or new forms of vehicles.

Mr. Gaunt: They could do both here.

Hon. Mr. Auld: I don't disagree with you but it might be a very interesting exercise to try and decide between the various proposals put forward, because there are a lot of them. I'm not saying it's impossible to do that. But you asked what the available vehicles are. Provincially the only vehicle is ODC or the so-called venture capital, or a special program which I don't think we should be getting into at this moment because it could be a very large program.

As I said a while ago, we are in the position, much as I would like to be otherwise with the funds available in the province for all the provincial programs, we should be doing what we are doing, and that is practical applications of various forms

Hopefully mass forms of energy saving in renewable resources and various conservation programs, keeping in close touch with the federal government with its larger resources and larger responsibility and through Hydro with other utilities, to see what is being done—we aren't reinventing the wheel, or having two people doing the same things.

There is a whole host of avenues you can go in. If we look at one or two of the very large projects we have got into in the use of waste, and the money that has been involved—taxpayers', provincial and municipal—we still have not got, in 10 years, a reasonably well-functioning project. We're close in several, but it takes a long time and a lot of money.

I don't see the resources available to get to an even greater variety of projects. And other people are doing them. They will benefit from some of the projects we're doing, like "watts from waste" and the separation programs we now are doing on a production scale. We will be the first to make them work in some of those fields, and I think that's pretty good. But we just don't have the resources to do it in the great variety of fields out there.

Mr. Gaunt: So your theory then is to specialize, pick your projects and pump your available resources into them?

Hon. Mr. Auld: Pick the ones that seem to be major priorities for us and watch and see what other people are doing. Of course, we've been stealing a little bit from other people. We're not the first people to do some of these things. We have learned from some other mistakes. We've made some of our own mistakes, which always happens in this kind of thing and I don't think we can be blamed for that. We can be blamed if we repeat somebody else's mistakes.

[1:15]

Mr. Gaunt: That's right. There's just one other area I want to ask about, and that's the greenhouse project at Kincardine. I couldn't let these estimates go by without asking about the greenhouse project. How do we stand? The proposals were supposed to be finalized and responses made, I gather, by the end of October, which is today.

Hon. Mr. Auld: We extended the date because of certain uncertainties in the mail. They are being reviewed now. There are a number of them, both for Kincardine, Bruce and Pickering. The Ontario Energy Corporation is reviewing them. I couldn't tell you where we stand, because I think they just started reviewing them yesterday or today. I hope to have a report on that very shortly.

There were, I'm told, separate proposals as opposed to different proposals, because some of them may be the same kind of thing; we'll know when we've seen the report.

Mr. Gaunt: You're not in a position now to indicate which of the 25 were really firm and basically sound proposals?

Hon. Mr. Auld: My guess—and this is from a great wealth of ignorance as to what is in the proposals—is that we will evaluate them and we may well wind up doing a little more discussion or negotiating with some of the proponents to refine them a bit, having regard for sites and distances and a lot of technical matters.

It's rather encouraging to see the kind of response we've had from some rather substantial firms which have made submissions.

Mr. Gaunt: Not too many greenhouse growers.

Mr. Riddell: No. They can't get the greenhouse growers to go up to that part of the country.

Hon. Mr. Auld: It's very hard to grow a greenhouse.

Mr. Gaunt: It certainly is. It's pretty hard to get it to bloom in January, too.

Mr. Chairman: Let's have a little order here.

Mr. Gaunt: Is it true that the ministry has taken the position that it's the greenhouse or nothing? Or are you still looking at the other alternatives such as fish farming, the heat exchange programs with respect to industry and that kind of thing?

Hon. Mr. Auld: We don't know what all the alternatives are. I think we'll evaluate them on two bases. One will be—because the energy is not going to be free—how many jobs—

Mr. Gaunt: You have to cover your costs.

Hon. Mr. Auld: Right—how many jobs, what they do in terms of the economy and how long-term they are. It's hard to answer you, because it's a field we've never been in before and we haven't any ground rules other than we want proposals and we want to take sort of the highest bidder—but how we evaluate the highest bidder may be the difficulty.

Mr. Gaunt: Do you anticipate that perhaps by the end of the year it will be either on the rails or off the rails?

Hon. Mr. Auld: I would hope—I don't anticipate it, but I would hope that it would be long before that that we would have a pretty good idea of which route we were

going to go. There may be different routes. There may be one route in Bruce and one in Pickering. They may be different. We'll be talking with regional Durham the week after next about a proposal they have which relates to Darlington.

Mr. Gaunt: I see. Of the 25 proposals you received, some of these proposals may in fact apply to Pickering to a greater extent than they'll apply to Bruce.

Hon. Mr. Auld: They could do. I don't know because I haven't seen any of them. We have just started evaluating them. It closed on October 20.

Mr. Gaunt: You'll be making a statement in the House when there is something definitive.

Hon. Mr. Auld: Even sooner than in the fullness of time.

Mr. Gaunt: That's good.

Mr. J. Reed: I have just one item and then I'll say carried to the vote at the end, if you'd like, Mr. Chairman.

Ms. Gigantes: No, I don't think I'd like that very much.

Mr. J. Reed: I just wanted to challenge the "use it till it runs out" philosophy. There are two kinds of conservation and one is quantitative.

Hon. Mr. Auld: Who was proposing that philosophy?

Mr. J. Reed: You were expounding on the "use it till it runs out" theory in terms of petroleum.

Hon. Mr. Auld: I wasn't the proponent of it.

Mr. J. Reed: I'm glad to hear that.

Hon. Mr. Auld: I thought you would be.

Mr. J. Reed: In terms of conservation and our attitude towards conservation, we recognize that some of the finite resources that we are now using as energy sources are probably far more valuable in the long run as feedstock for certain of the things that we look upon as miracles of the 20th century. I'm thinking of petroleum particularly, which finds a very much higher value as a product which makes everything from fabrics to tires, to the interiors of automobiles and tabletops and so on. I only want to impart the thought that when we're thinking of conservation our conservation program should not be just quantitative, it should be also qualitative. That's an area of perhaps the greatest potential and the area of the least application so far.

Hon. Mr. Auld: If you only made tabletops out of it, you'd have a lot left over.

Mr. J. Reed: Yes, except that we don't know how much, and this is our problem. It's like having the barrel there and having no real way to look inside it other than in a peripheral way. We don't know how full or empty it is relatively. All we do know is that we draw on it prodigiously in a continuous way. We know that this stuff will do other things for our greater good than simply combusting it.

Mr. Chairman: Ms. Gigantes, you have a few comments to make.

Ms. Gigantes: Yes, I have a very few comments.

Mr. Chairman: Good.

Ms. Gigantes: I've said it in other Energy estimates, but since we have a new Minister of Energy every estimate, I suppose one might as well say it again. It seems to me on both this vote and the last vote the amounts and the quality of programs which the ministry is involved on behalf of the public of Ontario are nothing more than pitiful.

Mr. Chairman: That's not what it says in my book.

Ms. Gigantes: No.

Mr. Chairman: Under vote 1904.

Ms. Gigantes: The Tories rarely print in their books what I think you see, Mr. Chairman.

Mr. Chairman: We're on the energy conservation program.

Ms. Gigantes: I would like to ask the minister, if he has the figures ready at hand, I'm sure that as Minister of Energy he knows what we spend on energy—total, private, public or however—in Ontario per year, total energy bill for Ontarians.

Hon. Mr. Auld: I'm informed that it's \$1 billion.

Ms. Gigantes: We're spending a little over \$7 million on two of the most useful kinds of programs that we could be undertaking on behalf of the energy consumers of Ontario. I think that is just astonishing, absolutely astonishing. In 1978, this is five years ago, we discovered an "energy crisis," believe or not, it was an energy crisis, we've covered a whole new world of energy accounting and in 1978 we're spending about 0.1 per cent.

I really think as minister you have to look at that; the investment that we make in programs of energy conservation and energy newables. From everything that is already established about the cost analysis of energy conservation we know that a buck put into it gives us a bigger payoff than any other

we spend on energy. We know that. Nobody denies it. Now, why don't we do it?

As minister I beg you—now I hope that you're going to be a minister who sticks around long enough to see one year of the program in this ministry through. I've only been here three years, but it's awfully discouraging to listen to one minister after another talk about how this ministry is a coordinating ministry and really make apologies for the fact that the ministry doesn't undertake any real initiatives in the energy field except that \$100 million, which we'll get to, if Syncrude.

Mr. J. Reed: The critics are the guiding force.

Ms. Gigantes: That's not true—

Mr. Chairman: To the best of our ability.

Ms. Gigantes: —because the ministers keep changing and every new minister comes in and tells us, like every new Minister of Housing, that he's learning his portfolio, and "we're making great advances over last year," and "look how far the solar heating project has gone" in the same senior citizen building. I don't know how many times we've heard about each of those projects in every estimate.

At least with this estimate we haven't had people come in and give us that graph—you know, throw up the screen, turn out the lights, and show us these projections of Canada's energy estimates. At least we've been spared that this time.

I plead, through you, Mr. Chairman, with the minister. He probably has a chance of a little longevity in this role. Take this one seriously. If the Ontario public understood how badly we're doing in these two kinds of programs they'd turf you guys out.

Mr. Deans: I'll give you an example: If you pursue what Evelyn is saying with the same degree of enthusiasm that you pursued cutting expenditures to the ministry when you were the Management Board chairman you would see results.

Ms. Gigantes: Yes. You'd be a hero.

Hon. Mr. Auld: I am listening with great interest.

Ms. Gigantes: If you go back through the estimates you will read it again and again and again—certainly as long as I've been around. You've been around a long time and you know it takes a long time—

Mr. Deans: Too long, some would say.

Ms. Gigantes: —for these messages to get through. But you're going to be there for a while, I hope, and I hope you're going to take it seriously.

Hon. Mr. Auld: That's conservation.

Ms. Gigantes: I'm all in favour of conservation, when it works. You get it working.

Vote 1904 agreed to.

Vote 1905 agreed to.

On vote 1906, energy supply program; item 1, Ontario Energy Corporation administration:

Ms. Gigantes: That's one I have questions on, Mr. Chairman.

Mr. Chairman: Very well. We have three minutes left.

Ms. Gigantes: I don't think we can deal with the questions I have in three minutes, but I'm quite willing to start.

Mr. Chairman: Very well. We can start tomorrow morning at 10 o'clock.

The committee adjourned at 10:30 p.m.

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From the Ministry of Energy:

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 Rowan, M., Deputy Minister
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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Energy



Second Session, 31st Parliament

Wednesday, November 1, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 1, 1978

The committee met at 10:10 a.m.

ESTIMATES, MINISTRY OF ENERGY (concluded)

On vote 1906, energy and supply program; item 1, Ontario Energy Corporation administration:

Ms. Gigantes: We had begun a discussion of Syncrude on the earlier vote, renewable energy, and decided on your advice that it was not the appropriate vote to get into details on Syncrude. I would like to be able to pick that up again. Perhaps if the deputy would be kind enough to restart the process.

Mr. Rowan: Could you just refresh my memory as to the specific area that you wanted me to cover, Ms. Gigantes?

Ms. Gigantes: We were given information on the dividends payable to Ontario, and one of the questions I had was how those dividends got paid, because that seemed a very complicated process.

Mr. Rowan: In effect, there are no dividends. There is revenue which is earned. As I indicated last night, each of the participants receives a share of the synthetic crude oil which is produced by Syncrude and each of the participants is responsible for selling a share of the crude oil. Also, as I indicated last night, the Ontario Energy Corporation has made an agreement with the Alberta Petroleum Marketing Commission to market Ontario's five per cent share of the Syncrude production. In effect, the Alberta commission has been appointed our agent.

Ms. Gigantes: Your sales agent?

[0:15]

Mr. Rowan: Our sales agent, yes. We did this because by employing the offices of the Alberta commission the energy corporation avoids setting up a duplicate marketing organization and derives the full benefit of the very experienced and knowledgeable crude oil marketing team which the Alberta commission has, and also I think it goes a long way to cementing the very good relationships which Alberta and Ontario have by working co-operatively in this project.

When the project is operating at its design capacity of 109,000 barrels a day, it will

mean that Ontario will have about 5,000 barrels a day of crude oil to sell and it will be sold by the petroleum marketing commission. The arrangement with the marketing commission is for a year, subject to renewal. That agreement was reached last June just prior to production coming on stream. As you know, the Alberta government has a 10 per cent interest in Syncrude and the petroleum marketing commission is responsible for marketing Alberta's share as well.

So what we have, as the minister said last night, is a situation where the energy corporation receives revenue from the sale of synthetic crude oil, and to date that's been approximately \$800,000. That revenue is available to the corporation to offset some of the expenditures which the corporation is liable for. Those expenditures fall into two categories. One would be capital expenditures and the other operating expenditures. We estimate that some time in the next fiscal year the crossover point will be reached, whereby the revenue we will be receiving will exceed the expenditures that we will be obliged to make.

Ms. Gigantes: What are these capital and operating expenditures?

Mr. Rowan: The capital expenditures involve the five per cent commitment that the Ontario government made when it decided to participate in the Syncrude project. At this time, five per cent of \$2.224 billion—that's the estimated total capital cost of the project—means that the Ontario Energy Corporation will pay out something like \$110 million in capital.

Ms. Gigantes: That's over the four years?

Mr. Rowan: Over the period from the time that it entered into the agreement to the time the project is completed.

Ms. Gigantes: When will that be?

Mr. Rowan: The project is essentially completed now. Production started in July and there are, as you know, some last-minute capital expenditures to finish off the project. In addition to those there are always capital costs which are incurred in this plant, as in any other plant, as equipment wears out. Those are additional capital expenditures

which the corporation would be required to pay.

The operating expenditures deal with the staff of Syncrude and our five per cent share of those costs. As I said earlier, we anticipate that some time next year we'll reach the crossover point where we no longer need to obtain revenue from the Treasurer. If you recall, the Ontario government's commitment to the Syncrude project was a five per cent commitment, but the Treasurer only made a \$100 million commitment of equity to the Ontario Energy Corporation. Since then the corporation's financial needs have been financed through a loan from the Treasurer, which is repayable at interest, and we would expect that we will be in a position to begin paying off that loan this next year and subsequent years.

Ms. Gigantes: That loan is for \$10 million?

Mr. Rowan: There was a loan in 1977-78 of \$5 million that was arranged from Treasury. Of that, however, only about \$170,000 was actually required in that year. In 1978-79, the loan from the Treasurer is net of revenues from Syncrude. I'll just go through this now. Our investment in Syncrude will be \$24.8 million. We are calculating that our Syncrude revenue will be \$12.7 million. The fact, however, that there has been some delay in the Syncrude startup could result in higher cost estimates and lower revenues. These are some concerns that we're working out at the present time.

Ms. Gigantes: Good, can I go back over that for a second to see if I can understand more clearly. When you say \$24 million, that was the actual payment to Syncrude in 1977-78, or will be? That's your estimate?

Mr. Rowan: I think maybe what I should do is have Mr. Brush come to the microphone to go over this in detail. What we are doing at the present time is recalculating our forecast based upon the higher cost estimates that are being incurred as a result of the recent shutdown of the plant and the reduced revenue forecasts. I could have Mr. Brush just go over the detailed analysis of the financial picture for Syncrude.

Ms. Gigantes: Could we do that on a year-by-year basis? Is that possible, to go through it on a year-by-year basis since the original commitment?

Mr. Brush: I don't have that information with me right now but I could supply it to you at a later date.

Ms. Gigantes: Good.

Mr. Rowan: That would be quite easily done. Wayne, would it be possible to just

review for Ms. Gigantes the financial picture for this year which would indicate the total expenditures we would be making to Syncrude and the revenue that we anticipate receiving from Syncrude this year?

Mr. Brush: At the time we prepared the original estimate we anticipated we would need a loan from the Treasurer of approximately \$14.6 million.

Ms. Gigantes: What time was that?

Mr. Brush: That was in August of 1977. That's a net figure. The revenue calculation there was about \$12.1 million.

Ms. Gigantes: The revenue to Ontario?

Mr. Brush: Yes, that was the estimate at that time.

Ms. Gigantes: So what you're saying, if I can recap it so that I know what you're saying, is that originally you had estimated that your involvement this year, in 1977-78, would be to the tune of \$26.7 million.

Mr. Brush: That was the estimate we made in the fall of 1977. However, since that time there has been a delay in start-up and we estimate that the expenditures to Syncrude will be slightly higher, and the revenues have dropped a bit because of that delay.

Ms. Gigantes: The revenues are \$800,000.

Mr. Brush: The revenues to date are \$800,000, yes.

Ms. Gigantes: What planning period are you dealing with, the end of a year or a fiscal year?

Mr. Brush: Fiscal year.

Ms. Gigantes: What do you expect the revenues to be by the end of the fiscal year?

Mr. Brush: I would think now the best estimate is about \$10.4 million.

Mr. Rowan: As opposed to \$12.1 million or \$12.7 million, something in that order.

Mr. Brush: The expenditures too are a little higher on the project.

Ms. Gigantes: What loan was actually negotiated?

Mr. Brush: As I understand it, the negotiations have not been completed yet, but the original loan was for \$14.6 million.

Mr. Rowan: In addition to that we have applied to the Treasurer for an additional \$6.5 million, which would bring our loan for this year to \$21.1 million.

Ms. Gigantes: What interest are you paying on those?

Mr. Rowan: This would be the interest the government pays in borrowing money from the financial market.

Ms. Gigantes: Nine per cent?

Mr. Rowan: I can't give you the exact number.

Hon. Mr. Auld: I think it's about 9.8 per cent.

Mr. Rowan: Ms. Gigantes, our annual report, which was included in the material, goes into some of the historical data that you had asked about and I think you would get a pretty good indication as to the build-up of capital contributions to the Syncrude project by the Ontario Energy Corporation from the annual report.

Ms. Gigantes: At what point was the decision taken that you would be interested if there were offers for the five per cent equity?

Hon. Mr. Auld: Perhaps I could read you the release of October 12, or part of it. This was from our ministry and started off:

"The Ontario government is not actively seeking a buyer for its five per cent investment in the Syncrude project. In view of a number of inquiries which have been made, 'I think it is only fair for all potential investors to be aware of our policy,' Mr. Auld said. 'Although Ontario is not actually actively seeking to sell its Syncrude investment, like any other prudent investor we are, of course, prepared to consider any reasonable offer from a serious buyer.'

"The Energy minister said he wished Ontario's position to be clearly stated in the light of recent statements and speculation concerning the potential sale of Ontario government's Syncrude investment. 'We want to make sure that all potential buyers are treated fairly and equitably and that an adequate opportunity is allowed for a full evaluation to be made of any offers that might be submitted.'"

Ms. Gigantes: There had been news of that development some time before that.

Hon. Mr. Auld: You asked when it was officially stated. I think the press clipping I saw of Mr. Baetz's comment was in answer to a question somebody asked in August.

Ms. Gigantes: There was speculation before August.

Hon. Mr. Auld: I just wanted to say further from this release, and this is part of the second page: "The Ontario government is prepared to discuss any specific offers made within the next month, or by November 15, 1978, to allow sufficient time to the Ontario Energy Corporation and the government to determine whether it is in Ontario interests to sell at this time."

Ms. Gigantes: Could we get from you, Mr. Rowan, a total amount that Ontario has

invested? That will come, by November 15, to \$110 million?

Hon. Mr. Auld: Do you mean the actual cash flow?

Ms. Gigantes: Yes.

Mr. Rowan: Yes, that would be possible. It's in that range, Ms. Gigantes, yes.

Ms. Gigantes: Has that money mostly been borrowed?

[10:30]

Mr. Rowan: No, no. There was a \$100 million equity, if you will recall, the money which was provided by the government to the Ontario Energy Corporation, back in 1975, I believe. That money has been used to finance our equity position in Syncrude. Polar Gas is another project of the corporation, and you may wish to talk about that later. In addition, over and above the \$100 million, there have been some loans negotiated from the Treasurer, repayable loans, which would pay for the Polar Gas investment as well as the additional capital expenditures which arise from our participation in Syncrude, plus—

Ms. Gigantes: Have any of those loans been paid back yet?

Mr. Rowan: No, not yet.

Ms. Gigantes: What is the total amount of the loans above the initial \$100 million?

Mr. Rowan: I believe that was the number I gave you a moment ago, \$21.1 million.

Ms. Gigantes: Only those loans, the loans of 1977, are outstanding? There were no loans before that?

Mr. Rowan: I mentioned that there was a loan negotiated in 1977-78, of \$5 million; however only \$170,000 was actually required in that year. Here it's a matter of cash flow, when do you actually need the money in a particular fiscal year.

Ms. Gigantes: Can I try to summarize some of my interest in this? What we're dealing with is \$100 million paid out from the Treasury of Ontario three years ago for Syncrude. We're dealing with loans now totalling, probably by the end of the year, \$21.1 million. We're dealing with a projected revenue by the end of the fiscal year of \$10.4 million, although only \$800,000 of that is identifiable yet in the fiscal year. Are those accurate summaries?

Mr. Rowan: Those are accurate numbers, yes.

Ms. Gigantes: There are two questions. Isn't that a poor payback? And if it's going to get better in the future, why sell now?

Hon. Mr. Auld: I would say that, first of all, you have to start by looking at why we took an equity position in Syncrude. Without again quoting what was said at the time by the minister, the government's position was that Syncrude appeared to be an important project for the continuing supply of domestic oil. It was a private enterprise consortium to start off with, and at the last minute one of the players, who was involved to the tune of about 30 per cent I think, backed out, at some financial penalty.

The governments of Canada, Alberta and Ontario then got together and we opted for five per cent, Alberta 10 per cent, and Petro-Canada, the government of Canada's agent, 15 per cent. When I say "we" I mean Ontario Energy Corporation; when I say "Alberta", I mean their equity; and Petro-Canada is the Dominion of Canada's agent. That left Gulf Oil Canada with 16.75 per cent; Canada City Services Limited, 22 per cent; and Imperial Oil Limited, 31.25 per cent.

Ms. Gigantes: Mr. Minister, I'm really asking a question of judgement on these facts, because I think the facts are pretty well known to the members of the committee.

Hon. Mr. Auld: I would say that it appears to be a good investment. The real question is whether we should stay in it and get a return. Like with any other equity in a new company, you don't expect a return for a few years because it takes a little while to get into production. Obviously there is no return until you are producing a product.

However, it may well be that we should sell and use that money for encouraging other projects that will produce domestic energy at competitive prices, or it may be that money should be used for something else. There are really three options or combinations of options. One is to continue to receive dividends, or product which we will sell and which is in effect the same thing, a return on the investment; or we may now say there are some other projects in the energy field which need capital to get going and which are not pie in the sky but have a reasonable chance of success.

Ms. Gigantes: You've made your investment, and you're getting into the payback period in your accounting terms. Now just when the payback begins you're thinking of selling.

Hon. Mr. Auld: Well, there's another aspect. If we are to sell at a profit that may be the equivalent cash in the hand instead of waiting for profits or dividends over the next period of time, whatever it may be.

Ms. Gigantes: Let's look at the original motivation for Ontario's entry into this scheme. Ontario was concerned that Syncrude would not go ahead and that there would not be that supply available within the Canadian supply system.

Hon. Mr. Auld: That was certainly a parent at the time. I wasn't directly involved, but if somebody didn't take up that 30 per cent the project would fail.

Ms. Gigantes: How much of the Syncrude production has come to Ontario?

Hon. Mr. Auld: Five per cent. Each of the—

Ms. Gigantes: I'm not talking about in accounting terms. I'm talking about purchased amounts.

Hon. Mr. Auld: All of it, I understand currently is being sold to British Petroleum's plant in Ontario, in Oakville.

Ms. Gigantes: How much has that been? You've told us that the design capacity is 5,000 barrels per day, the Ontario share.

Hon. Mr. Auld: The Ontario share is five per cent of 109,000 barrels a day. That is the present design capacity, although there are some higher figures quoted because of certain modifications that are being made.

Ms. Gigantes: How many barrels have we had? How many barrels have we sold?

Hon. Mr. Auld: We've sold roughly \$800,000 worth. I can't tell you what the price has been. To date over a million barrels of synthetic crude oil have been produced, earning some \$800,000 in gross revenue for the Ontario Energy Corporation.

Ms. Gigantes: Is that the total production of Syncrude or is that the Ontario share?

Hon. Mr. Auld: That's the total.

Ms. Gigantes: Ontario's share of that five per cent.

Hon. Mr. Auld: It is 5 per cent of 1 million, which is \$50,000.

Ms. Gigantes: We've put in \$100 million we have a paper profit at this stage \$800,000, we have outstanding loans of \$1 million at 9½ per cent, and we've managed to sell to an oil company 50,000 barrels of oil for Ontario.

Hon. Mr. Auld: All that has been available for us to sell has been sold.

Ms. Gigantes: Who sits on the Alberta Petroleum Marketing Commission? Are the company representatives on that commission?

Mr. Rowan: No, that's an Alberta government commission. They would be appointed of the Alberta government.

Ms. Gigantes: I don't know what to say. I think I'll leave it at that.

Mr. di Santo: A supplementary, Mr. Chairman, if I may.

Mr. Chairman: Anything would be a supplementary on this one, because we only have the one item, but I have Mr. Reed next. I think Ms. Gigantes has taken up quite a bit of time. We should let Mr. Reed go on next.

Mr. J. Reed: Thank you very much. Mr. Chairman, I witness this questioning with great interest. It's the first time I've seen a specialist really wanting to wait till we make a profit. Profit is a six-letter word.

I just have one question: Mr. Minister, if you do liquidate the commitment to Syncrude, you have mentioned that you would possibly look towards redirecting it in some other way. Is that a commitment you would make, that you would actually sustain the commitment and redirect it?

Hon. Mr. Auld: I haven't made any commitment I don't think, Julian. No, I said there were several alternatives.

Mr. J. Reed: Yes, okay.

Hon. Mr. Auld: So, until I've made it I prefer—

Mr. J. Reed: You'd be willing to sell it but the money just might go back into general revenue and be forgotten about; that's one of the alternatives as well.

Hon. Mr. Auld: I suppose if the best offer we got was, say what we have in it, I wouldn't be very interested. On the other hand if the best offer was twice that I suppose it might look attractive.

Mr. J. Reed: Okay. In witnessing the Ministry of Energy and hearing some of these statements that have been coming out and some of the changes that have been made—although I'm not questioning your ability at all, because I am sure you are one of the giants in this province—but—

Hon. Mr. Auld: There's something wrong with this microphone.

Mr. J. Reed: —I am wondering if the government is very subtly intending to derate the Ministry of Energy, reduce its importance even below what it apparently is now in terms of its value to the government in future years. I see it in the statement, "we might get out of Syncrude redirecting the commitment is one of the options." It's just a non-statement.

Further, the whole business now of lumping Energy and Natural Resources together; I have no question that you can handle them with aplomb, but it appears to me that

Energy, beginning only as a policy secretariat and never having advanced substantially past that, is now at a stage where the government might be considering as one of its options the non-consideration of reducing the importance of the ministry until it would be finally regrouped with, say Natural Resources again. Is there any—

Hon. Mr. Auld: I think what the Premier (Mr. Davis) said in August was that he was asking me to report to him by the end of November as to what the practicability would be of combining Energy and Natural Resources. He asked Miss Stephenson to report the same thing about combining Education and Colleges and Universities. So far I have not reported to him.

Mr. J. Reed: How are you responding on the Ministry of Energy now? Is it premature to ask you how you feel about it?

Hon. Mr. Auld: I anticipate I'll be responding verbally and in writing.

Mr. J. Reed: Positively or negatively?

Hon. Mr. Auld: Well, in ink.

Mr. J. Reed: Will you recommend to the Premier that the Ministry of Energy be absorbed with the Ministry of Natural Resources or will it—

Hon. Mr. Auld: If I knew that, I could do it now, couldn't I? And I haven't done it yet.

Mr. Wildman: Or put it the other way around.

Mr. J. Reed: I've only one thing before I close off. I would like to congratulate you not only for your appointment, but I didn't know that you had such great skating ability.

[10:45]

Mr. di Santo: Mr. Chairman, I join Mr. Reed in congratulating the minister, because he has been and is a very able minister. I hope he can salvage the Ministry of Energy, which has been in pretty bad shape in the past. But, I'd like to—

Hon. Mr. Auld: I think it's in pretty good shape.

Mr. di Santo: It is? You're an optimist.

I'd like to pursue some questions on Syncrude: Of the revenues you are calculating in the estimates, which are \$12 million or \$10 million depending on the outcome, can you or the deputy minister tell me what the content of the revenue is?

Mr. Rowan: The revenue Syncrude earns is based upon a federal government policy that allows the Syncrude project to have what the federal government calls "access to world price" for each barrel of synthetic

crude produced. This means that unlike the conventional crude oil produced in Alberta, which sells for about \$12 or so a barrel at the wellhead, plus transportation to Toronto—

Mr. di Santo: What's "at city gate"?

Mr. Rowan: "City gate" is a natural gas term, normally.

Unlike conventional crude oil, the price of synthetic crude oil is calculated on the price of oil sold on the world market and delivered in Montreal. Then there are some calculations which adjust the transportation costs back to Edmonton.

This is a fairly complicated formula, but if you're interested we would be happy to provide some information on it for you.

Mr. di Santo: I'd love to have that.

Mr. Rowan: Would you like that?

In determining the world price, the federal government has identified a quality of oil on the world market—it's an averaging formula they use. As the minister was saying, synthetic crude has certain characteristics of its own. It's seen to be a very desirable crude oil for some uses. For example, there is very little sulphur in it. Another example is it can be used directly by diesel locomotives as a mode of fuel.

It also has some undesirable features for some refineries, depending on how they're designed. One of the transitional problems we're experiencing in Canada right now is how to blend the use of synthetic crude oil, which will become a larger and larger proportion of the total Canadian supply, with the more conventional crudes that are available.

We will get you a summary of the pricing formula, Mr. di Santo, which will explain it more clearly.

Hon. Mr. Auld: Lots of luck with it.

Mr. di Santo: The reason I'm asking is I was quite puzzled two years ago when Mr. Alastair Gillespie tried to explain to us the cost of a barrel of oil. I don't think many people in Canada understood what the formula was all about. But I understand from what the deputy minister says that the price of Syncrude is derived from a formula based on the actual cost plus a political price.

Mr. Rowan: No, sir. It's determined by the world price of crude oil.

Mr. di Santo: That's political.

Mr. Rowan: Yes, very much so.

Mr. di Santo: But also I think it has to be based on the fact that to refine—

Hon. Mr. Auld: It's in Chicago, isn't it?

Mr. Rowan: No, Montreal.

Mr. di Santo: In Montreal, yes.

Hon. Mr. Auld: What's the Chicago?

Mr. Rowan: It's the Canadian price.

Hon. Mr. Auld: Oh, the Canadian price, yes.

Mr. di Santo: But also I think it has to be based on the fact that to refine synthetic oil costs very much more than the oil from the Middle East or from Venezuela. In my opinion, that has to be an element in setting up the price of the synthetic oil.

Mr. Rowan: It is certainly an element in the decision of a refiner to use synthetic crude oil.

Mr. di Santo: Exactly.

Mr. Rowan: Because the design of the refinery may be such that it could actually be harmful to the equipment. But the actual price of synthetic crude oil is not determined by the difficulties the refiners will have in refining it, it is only based upon the world price of crude.

Mr. di Santo: Excuse me, perhaps I don't understand. Are you saying that the price of synthetic oil is not related at all to the actual cost of extraction and refining of the synthetic oil?

Mr. Rowan: That is correct.

Mr. di Santo: Okay, that leads me to the next question. As shareholders of Syncrude, does Ontario have any idea at all how much the actual cost is and how much is the profit on each barrel of oil?

Mr. Rowan: Yes, we do.

Mr. di Santo: And you can provide that with that?

Mr. Rowan: That is an area where Syncrude has been reluctant to provide that information; not to us, but commercially. You can understand why because they are in the commercial business and this is one of their secrets.

Hon. Mr. Auld: Shell doesn't tell Imperial.

Mr. di Santo: I know, I can understand that Mr. Minister. I understand that very well.

Hon. Mr. Auld: I don't think they tell each other their costs of processing. They may talk about other things, who knows?

Mr. di Santo: I think, incidentally, that this is one of the problems we have in Canada. From the energy strategy board Gillespie released two years ago we gather that unfortunately the government of Canada is unable to determine at this stage how much a barrel of oil costs. That is one of the

problems we have. This is not a socialist reachment, it is a fact.

Hon. Mr. Auld: I won't argue with you on that, but it would seem to me, from the statements made by Mr. Gillespie and others, that the government of Canada is really not concerned about the cost of production; they are concerned that our price be the same as the world price. They have applied taxes, as well as royalties to Alberta, to raise that price. So the total price being paid includes more than the cost of production, the producer's profit, the cost of transportation and the transportation company's profit. Those additional amounts are revenue in one form or another for the governments of Alberta and Canada.

Mr. di Santo: I don't want to deviate. It is important for other reasons, but not for that we are discussing now. I think there are other considerations, like the reserves. Seven years ago we were told that we had huge reserves for 400 years, while now we say that the reserves are depleting quite fast, and therefore the price has to go to the world level. So there are other considerations.

Hon. Mr. Auld: As we said earlier in the estimates, there is no doubt that if the price of oil, which for argument's sake we'll say is \$13 a barrel in Montreal, became \$20, there are reserves in various parts of Canada that it would then become economic to exploit. But they are too far away or too deep or too something to be exploited now. They could not be sold, even perhaps at no profit to anybody, at that price. So they are really not economic reserves.

Mr. di Santo: Okay. Also there are political pressures, you may appreciate, from countries like the United States, and for industrial and competitive reasons.

But I want to go back to the Syncrude: I tried several times without luck to extract from your predecessors some information I think is very important. The question I would like to ask you, Mr. Minister, and perhaps your staff: if the revenue is based on the sale of the oil—our share in it—what happens to the technology developed at the Syncrude plant?

Hon. Mr. Auld: That is part of the assets of all the shareholders, including ourselves.

Mr. di Santo: Yes, but do we know at this stage what technology has been developed there?

Hon. Mr. Auld: If you're asking what proprietary technology, what methods have been developed there which are patented and can be licensed, I would refer you to

the president of the Ontario Energy Corporation because I don't know.

Mr. di Santo: That's the next question.

Mr. Rowan: We do have access to this kind of information. There's no difficulty in our being able to learn the technology which has been developed. As the minister said, this is proprietary information and is one of the assets of the corporation. As you know, there have been other consortia proposed for the development of oil sands plans. The one which is most current at this time is a consortium led by Shell Canada. It's a consortium of about eight or 10 companies. We understand they are going to utilize essentially the same kind of technology, and we would anticipate that if they utilize patent technology developed by Syncrude they would pay a royalty to Syncrude and it would be revenue which the Ontario Energy Corporation would share in.

Mr. di Santo: Right, exactly. Do we know, the Ontario shareholders, if there has been any patent registered or how many patents have been registered out of this? I was at Fort McMurray in August, and of course they don't tell everyone—they don't give out this kind of information. But I think it's crucial for us to know what kind of technology has been developed; if there are patents registered what kind of patents and if they are marketable. I think eventually that will be part of our share of the revenues in that project.

Mr. Rowan: To try to answer all of those questions, I agree with your observation they don't tell anyone. They are very reluctant, and rightly so, to divulge the process technology. I think they have good security on that; and I think we, as a participant, are quite happy with the way they are protecting our interest in that technology.

Mr. di Santo: You are?

Mr. Rowan: Yes, we're quite happy with the way in which they are ensuring that something which the Syncrude project has developed, which is unique technology and is patentable, is being held in trust for the participants.

Mr. di Santo: But has it been patented?

Mr. Rowan: To answer your second question, sir, I cannot give you a number right now on the patents which have been taken out or the areas in which patents have been applied for. What I can do is to undertake to get you a representative list of the kinds of patents which the Syncrude project now holds and the area of technology that this involves, if that would be satisfactory to you.

[11:00]

Hon. Mr. Auld: It is no problem, to get hold of a patent design. They are registered in the patent office. The question is that people who own patents have to defend them.

Mr. di Santo: In this case we are the people.

Hon. Mr. Auld: We may well be. There is a question if somebody goes to use that. The other thing in any process, and particularly any new process, is that there are many things involved which are probably not patentable but have been evolved to make the thing work. Those things are perhaps guarded as carefully, because a lot of money has gone into taking the bugs, if I can put it that way, out of a process. This is particularly applicable in this kind of thing where you start off with a pilot project and then you make, say a working model, but when you multiply that 70 times in size, or something in that order, a whole lot of new problems come up. Those are things that are probably solved not by a patentable process but by trial and error.

Mr. di Santo: I understand that there are some processes which are obviously not patentable. From the Ontario point of view, my concern is whether there is a mechanism for monitoring, if there are patents which are the result of that specific plant which are marketable and which eventually result in revenue for the corporation.

Hon. Mr. Auld: We will endeavour to get you that information.

Mr. di Santo: I think that is quite important.

Hon. Mr. Auld: Your next question might be to put a value on these, and that would be very hard to do.

Mr. di Santo: Exactly. I was told there was a rumour that a number of minor patents were registered by one of the companies. I don't know whether that is true or not, but I mention this to you to justify the reasoning behind my questions. If that happens, I think we should protect our interest in the best way.

Hon. Mr. Auld: All the shareholders have a common interest in that.

Mr. di Santo: Exactly, but some shareholders are operators in the field, like Gulf Oil or Imperial Oil or Cities Service Corporation; we are not. I was wondering whether we have a mechanism to monitor what is happening in this specific area.

Mr. Rowan: Maybe I could reassure you by describing the process by which Ontario

protects its interest in the Syncrude project. There is a management committee of the Syncrude participants which meets monthly. This management committee is responsible for giving direction to the offices of Syncrude and watches very carefully all aspects of the project to ensure that the offices are getting the most revenue out of the project.

One of the interesting and unique features of Syncrude is that the Syncrude offices and employees don't have any cash flow of their own, any revenue of their own. They produce a product which, as I said earlier goes on a pro rata basis to each of the participants. It is therefore very much in the participants' interest to monitor the effectiveness with which the offices are producing that product, including maximizing the revenue which would be derived from any patents and technology which the Syncrude project develops.

Mr. di Santo: That was exactly my concern, because as the minister said before there is now another project by a consortium put together by Shell. Let's assume, for instance, Gulf Oil is one of the participants and they use technology developed at Syncrude in that other plant, then automatically if Ontario is not protected, that becomes a loss of revenue for us. That's my concern.

Mr. Rowan: We are protected under that agreement.

Mr. di Santo: The minister said that we have three options at this point.

Hon. Mr. Auld: There may be more; I can only think of three.

Mr. di Santo: They are to remain in the project; to sell our share in the consortium; to devote that money to the development of other energy sources; or to devote that money to other purposes, to solve the problems of the budget perhaps.

Did you make any assessment at this point of which option you prefer or which option you think would be more useful for the province of Ontario?

Hon. Mr. Auld: Not yet, because we have not had the final proposals from any of the people who are talking to us, to my knowledge. That's why I put a cutoff date of November 15 in that announcement so that we will at that time evaluate the final offers of the various interested parties. We're not running this like an auction either.

Mr. di Santo: I hope not; because I think this is crucially important for Ontario, not only in terms of energy but in terms of industrial development. At this point we have, you said, 109,000 barrels of oil. V

were told in Fort McMurray that the maximum capacity of the plant is 160,000 barrels per day.

Hon. Mr. Auld: That is possible with more capital investment.

Mr. di Santo: That's the maximum capacity.

Hon. Mr. Auld: In fact, it might even go higher than that. I think we're talking about another \$1 billion, aren't we?

Mr. Rowan: Yes.

Mr. di Santo: It depends on investments. There will be developments in the tar sands in Saskatchewan.

Mr. Rowan: No, not tar sands. I believe they're heavy oil projects in Saskatchewan.

Mr. di Santo: I'm sorry, heavy oil projects. What I'm saying is that even though the price of synthetic oil or heavy oil will be determined in political terms, I think that oil will be extremely important as a source of energy for a province like Ontario, which is a consuming province and which is the most industrialized province of Canada.

You said that you haven't made up your mind yet because you are listening to the other partners and to the eventual offers. I would caution the government to consider very seriously that although our share in Syncrude is not very much—it's five per cent—it's still relevant in terms of making our input in the decisions that will be made at that stage.

Incidentally, I don't think that it's very important in terms of revenue even though that's an important consideration, but in strategic terms we may influence the price structure. Consequently, if the synthetic oil or heavy oil becomes more important, because that's what the situation looks like, it will be in the next few years when the traditional sources of oil will be depleted, then this will become a stabilizing factor in supplying energy to our industries, especially to our manufacturing sectors. Therefore, I think that should be a very important consideration for the government before making any decision. It's fine to say we will sell our share for what was it, \$48 million?

Hon. Mr. Auld: There was a figure of \$140 million.

Mr. di Santo: We'll make a profit of \$40 million, and that's fine; but we are removed from making decisions which are extremely important, not only in terms of the sale of oil to the province of Ontario, which is a consuming province, but to our industries. I hope you and the government will take that into consideration.

Hon. Mr. Auld: May I read to you from page three of that release? "The Energy minister said the Ontario government does not want to take any action now which would disrupt the momentum of oil sands development in Canada." I've had some conversation with Mr. Getty about this.

Ms. Bryden: I noticed this morning the deputy minister mentioned there were no dividends from Syncrude but simply sharing of revenues. I think last night the minister did use the term "dividends," did he not?

Hon. Mr. Auld: I did, and I was technically incorrect. What I was saying is that we have had some return from it. That's what I meant to say, I guess.

Ms. Bryden: I think what we were saying is that so far the return has not been very great in relation to our investment.

Hon. Mr. Auld: As I mentioned a while ago, Marion, it is like any other manufacturing operation. You don't expect to get any return until the thing is producing.

Ms. Bryden: I agree it really hasn't started, except in the last few months. But we hope that if we do hang onto that investment instead of liquidating it in the interests of the cash flow position there will be some suitable returns.

I wanted to go on to Polar Gas. The Ontario government has an investment of \$2.5 million in this consortium to bring gas from the Arctic islands down to southern Ontario, and possibly further. I gather we have committed ourselves to a possible investment of \$10 million. I noticed in the annual report of the Ontario Energy Corporation that it mentions that so far our role has been one of "support" on the filing of an application for the Polar Gas project to the National Energy Board, and also participation in decisions regarding the filing. I would like to ask what is the nature of our so-called support on the application. Have we actually supplied documentation, or have we participated in some of the studies that are part of this application?

Hon. Mr. Auld: First of all, my figures indicate that the energy corporation has approval to invest up to \$16 million in the project. The current level is about \$11 million.

Perhaps I could get Malcolm to explain what is happening in terms of pipelines to northern gas supplies. It is a rather complex situation. It would look as though there is going to be a "Y" kind of arrangement which will take gas from certain fields both to the west to a pipeline which is in existence or under construction, and another which has not yet been decided but which we would

prefer to see come down into Ontario; although there are those who would like to see it come down and hook into the existing line at about Winnipeg, Manitoba.

Mr. Rowan: What has happened with respect to Polar Gas's application to the National Energy Board is, as you may recall, the application was filed in December, 1977. That was to the National Energy Board and to the Department of Indian Affairs and Northern Development. The reason for the latter federal department is that it is responsible for providing a licence for Polar Gas or any other natural gas pipeline to be constructed in the territory north of the 60th parallel.

[11:15]

The application, which we felt was going to be heard by the NEB earlier this year, was put in a hold position by the National Energy Board because the board decided that it should hold two special hearings, into crude oil supply and demand and natural gas supply and demand. The crude oil supply hearing has been completed and the report recently issued. The natural gas hearing is now under way. It started, I believe, on October 11 and we anticipate that meeting will start in Ottawa next week or the week after. We, the Ontario government, are intervening at the National Energy Board natural gas supply hearings.

Those hearings are very crucial to any northern pipeline, like Polar Gas; crucial in that in the first place it will give all Canadians a better idea of the reserves that we have in western Canada. As you may be aware, the speculation into the reserves almost knows no bounds. You get very conservative estimates, the ones that we feel are realistic, put out by the Alberta Energy Conservation Board on the one hand; and then you get other estimates that go into the 400 trillion to 600 trillion cubic feet range.

Mr. J. Reed: It's the old Joe Greene days coming back to haunt us.

Ms. Bryden: It depends on whether they want to sell it or not.

Mr. Rowan: That's true. Their motivation is certainly something that one has to look at, I think. For Ontario, it is crucial that there be a consensus, because it is also very important that all Canadians arrive at a consensus as to when gas from the frontier should be available.

As the minister indicated in his speech to the Canadian Gas Association just the other day, there are a number of proposals for gas pipelines. There is the Dempster pipeline, which the federal government is

promoting quite actively. That, you recall, is a pipeline that would bring gas out of the Mackenzie Valley area along the Dempster Highway to connect as a lateral to the Alaska Highway pipeline that would bring gas from the Prudhoe Bay area down into the United States.

There are proposals for a liquefied gas system that would take quantities of gas from the Arctic islands, the very place the Polar Gas would draw its reserves from. There is the Quebec-Maritimes pipeline proposal. There are some people who would want to revive the Mackenzie Valley pipeline. What we think is very important is that none of these proposals be looked at in isolation including the Polar Gas proposal.

We think that the time has come, as the minister said in his speech the other day, when the National Energy Board should look at all of these proposals together and try to identify when Canada requires additional gas—when I say Canada, keep in mind that 50 per cent of the natural gas used in this country is used in this province, so we have a very direct stake in that decision when we require gas as a result of the depleted reserves in western Canada and how we would finance the project.

You asked what is the status of Polar Gas submission. It is being held at this time by the National Energy Board until it has completed its natural gas supply and demand hearings. We anticipate that those hearings will be completed this year with the National Energy Board producing its report early next year. Then we anticipate that the National Energy Board will begin hearing into the transportation of natural gas from frontier areas and transportation of natural gas to serve eastern Canada. That too is of primary interest to Ontario, because it could well be that that pipeline is not economical and then you get into the question as to who would pay.

The Energy Corporation, as a partner in Polar Gas, has played a key role in coordinating the effort within the Ontario government to identify some of the problems and some of the opportunities that would flow from a Polar Gas pipeline.

I'll just briefly go over some of them. We're looking at the social effects on native people, the social effects in areas outside of the Indian reserve areas; economic impacts; the benefits in cost to Ontario; the environmental considerations; the relationship with the royal commission on northern Ontario, the industrial development aspects of that royal commission and the effect of Polar Gas as a very major project would

ave on individual ministry planning and particular programs that they either have now or they might need to put in place.

We have organized within the Ontario government briefing sessions with the ministries, and briefing sessions between the ministries and Polar Gas so that we will not see sometime down the road the need to very quickly get everybody up to speed as to what Polar Gas is all about and the effects that it might have on individual ministries.

We're looking at this in a very comprehensive way, a long-term way, so that people within government are fully aware of the benefits and some of the problems that this particular project might involve. We are helping Polar Gas as a participant in their presentation and preparation of the material that they are filing with the National Energy Board and with DIAND.

As far as the environmental effects are concerned, we are working very closely with the Ministry of the Environment so that they, in their role as the ministry within government charged with protecting the environment, will be able to stand back and look at that project not as something that's promoted by the Ontario government through the Ontario Energy Corporation but as another project that has environmental impact.

I should also add at this point that since this is a project which crosses two provinces and deals with federal territories, the environmental responsibilities will be primarily federal responsibilities. It looks at this point in time as though the federal government will use its own legislation and processes to determine what environmental safeguards should be built into the project, but our own Ministry of the Environment will be closely monitoring those processes in so far as the province of Ontario is concerned.

Mr. Wildman: Supplementary: I'm sure you're aware that Grand Council Treaty 9 at the time of the application indicated a great deal of opposition to the proposal of crossing their territories or the crown lands which they hunt and fish.

You said you were looking at the social effects and the effects on treaty lands and treaty rights. Can you indicate what studies, if any, you're doing yourself or doing in conjunction with the Ministry of the Environment and the royal commission to determine how many of the 150,000 man-years that Polar Gas claims would be involved in the construction would be in Ontario, how many of those could be for local people in northern Ontario, and what pro-

grams, if any, would be initiated to provide the kind of technical training that the white and the native communities of the north would need in order to get employment on the job? If you can answer that, I have another question I'd like to ask.

Hon. Mr. Auld: Mr. Rowan might be able to give you some idea. My understanding is that Polar Gas had been in contact not just once but quite frequently with Treaty 9, but I don't know at what stage project estimates of employment and such are. I suppose we wouldn't know definitively until the route is known.

Mr. Rowan: That's correct, sir. The basic approach Polar Gas is taking is to work very closely with Treaty 9 and other native people's groups.

Hon. Mr. Auld: In fact, both Treaty 3 and Treaty 9 might be affected.

Mr. Rowan: They've tried very hard to meet all their concerns. There were some difficulties initially in getting together. I know Polar Gas has met with the representatives of Treaty 9 or Treaty 3 and has worked out an understanding. I do not know of any current difficulty existing between Polar Gas and any of the native people's groups.

Mr. Wildman: At one point, Polar Gas was claiming Treaty 3 hadn't answered their letters.

Mr. Rowan: That was more than a claim. There was some outstanding correspondence concerning an offer made by Polar Gas to meet with them; in Timmins I think it was, I'm not quite sure, I think that was the place.

Mr. Wildman: That's the headquarters of Treaty 9.

Mr. Rowan: Yes. In any event, we have been particularly vocal within the Polar Gas executive committee, we being the Ontario Energy Corporation representatives, to ensure that the employment practices of Polar Gas, if and when the project is built, minimize the impact on the local people, native and non-native, and that everything possible will be done to employ local people. That would include training and giving some preference to local people. We are also very conscious that after a project has terminated—

Mr. Wildman: That was my second question.

Mr. Rowan: —there isn't an economic let-down, if you will, in the area.

When I indicated that we have been very vocal, I don't want you to get the impression that Polar Gas hasn't been very receptive. They're extremely sensitive to this issue. They

are most concerned that they be seen as a good employer and as a good project.

They have learned, as everyone in this business has learned, from the experience of others. From the experience of others they have incorporated in their early planning the procedures they will follow if and when the project goes ahead. I hope that answers your concern.

Mr. Wildman: I'm wondering what you meant by the prevention of a bust afterwards. How do you plan for that, because obviously the major employment's going to be in construction.

Mr. Rowan: It's a very difficult area to deal with, but one way is not to build a boom that's unreal in the local area. You do everything you can to minimize, and I'm going to use this word advisedly, the "disturbance" in the area, at the same time bringing as many benefits as you can to the area.

Mr. Wildman: If you can work that out I'm sure the Elliot Lake people would love to hear your solution.

Mr. Rowan: Yes.

[11:30]

Mr. Wildman: One other question: what relationship does the government see between the provincial royal commission and the proposal and the suggestions that have been made by various groups, native groups and some other non-native groups, that whatever route is decided upon there should be a Berger-type inquiry?

Hon. Mr. Auld: As Malcolm said a few minutes ago, if the feds decide they are going to do the environmental bit under their legislation then it will be their decision as to what sort of public discussion there is—submissions from the public, the affected people in the area and so on. I really can't answer that question at the moment. Our royal commission is functioning and would be available if the feds don't do something themselves.

Ms. Bryden: I wasn't finished, Mr. Chairman. I don't want to get into a lot of arguments about figures, but the figure I quoted of the investment of \$2.5 million in Polar Gas was taken from the ministry's own background book which was supplied to all members of the committee.

Under vote 1906 it shows an investment of \$2.5 million. You say now something like—

Hon. Mr. Auld: That is for this year, you mean?

Ms. Bryden: This is 1978-79 estimates background.

Hon. Mr. Auld: Sorry, I thought you wanted the total investment.

Ms. Bryden: I presume that is what this statement in the background book says. It says "Investments net."

Hon. Mr. Auld: We have been in Polar Gas since 1975, so that would be 1975-76, 1976-77, 1977-78, 1978-79; this would be the fourth year.

Ms. Bryden: The initial commitment by the government was \$10 million in 1975, is that not correct?

Hon. Mr. Auld: Yes.

Ms. Bryden: At what date did they increase their commitment, and was it announced publicly?

Mr. Rowan: The exact date I can't give you, but I believe it was late last year that the commitment to increase that to \$10 million was made.

Ms. Bryden: Was there a press release issued on that, or a public statement; or was it simply something passed by Management Board very quietly?

Hon. Mr. Auld: I have to tell you that a lot of things that Management Board did when I was there were quiet but there were some that weren't. That would be a cabinet decision, though.

Ms. Bryden: I notice the annual report ending December 31, 1977, of the Ontario Energy Corporation doesn't mention the change in the commitment.

Hon. Mr. Auld: It would not mention until the money actually flowed, I would assume.

Ms. Bryden: Rather than spend a lot of time on statistics, I would like to get back to the application before the National Energy Board that we are supporting on behalf of our interest in Polar Gas, and to question whether the application is premature at this time?

As Mr. Rowan has said, when the study of natural gas supplies comes in, there may be a whole new picture and it may be evident that the application is premature if there are large surpluses of natural gas in Alberta presumably at considerably lower prices than bringing it from the Arctic.

My first question would be, if those studies do show a large natural gas surplus, would you still proceed with supporting the application before the National Energy Board, or should the whole application be postponed?

Hon. Mr. Auld: I suppose that would depend, not entirely but very largely, on what the National Energy Board recommends and what the government decides to do as far as export is concerned.

Ms. Bryden: That's another question. Are we going to go in for a \$6-billion investment?

ment which may have very serious effects on our ecosystem, and on the native people's way of life and the kind of renewable resources that supports their way of life? Are we going to go ahead with that kind of a pipeline simply for export purposes? We don't even know at what price we could bring the gas down and whether it would be exportable or not. Isn't it something that should be reconsidered very carefully if there appear to be adequate natural gas supplies at the moment in Alberta?

Hon. Mr. Auld: I guess the dilemma, from some of the submissions of which I have seen the proposals, is that a number of the companies may take the position that there is no point in exploring further—because exploring is quite expensive; it's getting up to 50 or 60 cents per 1,000 cubic feet potential—if the exploration is done but there may be no return on the investment for that exploration until many years in the future. The position taken by a number of companies, and by some of our groups, is that there should be some support so that there is some cash flow to the companies in order for them to continue their exploration. Perhaps some construction is also a part of the equation.

I think Ontario's position has been pretty clear and consistent. We have no objection to exports, providing the anticipated needs of Ontario for 25 years are available and there's a guarantee that there will be gas to meet those needs. We don't feel it is our business to tell other jurisdictions what their own policy should be with what are some of their resources. It's a compromise position, if you want to put it that way; just as I suppose we could feel about some of our provincial resources being made available in the first instance for Canadian demand, but if that Canadian demand is not sufficient then they may well be used elsewhere.

Ms. Bryden: I notice that the environmental study which has been submitted by the consortium to the NEB has already suggested a great number of route changes in order to avoid some environmental problems. It has identified three major environmental problems involving walrus and birds, some of the things on which Indians depend. It shows that there are very significant environmental problems in the construction of this pipeline.

I'm wondering whether some other alternative shouldn't be considered, especially if we are just doing it for export; such as liquefied natural gas which could be brought down from the Arctic islands in that form rather than through a pipeline at considerably less investment. I understand that

liquefied natural gas could be brought down for about \$1.2 billion as compared to the \$6 billion investment which has been suggested. It's a more flexible program in that it can be developed as the reserves materialize. There is some doubt as to whether there are sufficient reserves for a \$6-billion, 42-inch pipeline right now. I think the whole effect of this pipeline on our northern development is something that has to be looked at very closely.

I would like to ask if there are plans by the Ontario government to assist the native groups in preparing any sort of brief to the NEB, particularly countering or responding to this environmental brief the consortium has already presented?

Hon. Mr. Auld: We have nothing in the works on that at the moment, because of course it depends on where the line goes and that is not established. We don't anticipate a large expenditure in producing some brief like that until we have a little firmer knowledge of what would be involved, though we—

Ms. Bryden: Would you consider funding some of the native groups—

Hon. Mr. Auld: On the proposed route, we can give you a copy of that map, Marion, which indicates in very general terms a difference of a few miles in some places, one way or the other. It is quite an environmental difference but that's sort of the conceptual route. How much time have we got left?

Mr. Chairman: We have about 10 minutes left, Mr. Minister.

Hon. Mr. Auld: Then perhaps I could read you what I said to the gas people the other day, not the whole thing but just about two minutes' worth. I said: "As Canadians, we must ask ourselves is it logical that we sell off our cheaper gas now so that it brings us closer to the day when we must use much higher cost gas? Whatever the answer is to that question, I don't think we should be persuaded much by the argument that Canada's balance of payments today would benefit from a large infusion of US dollars resulting from increased gas exports. That surely has to be one of the most short-sighted reasons imaginable.

"We are also aware of the potential cash flow problems which some producers may experience, but in our efforts to alleviate a potential problem in that area we should be very careful not to prejudice the long-term national interest of ensuring secure supplies of natural gas.

"It seems to me, too, that we have reached the stage in our understanding of the evolving energy scene when we must stop the useless and totally inefficient manoeuvring which has gone on in the past few years between competing promoters of different methods of transporting frontier natural gas. The time has come when we should decide when we need to commit to a frontier pipeline so that supplemental supplies are available when needed. Further, given the construction costs involved, we should accept right now that some of the volume of gas which will be delivered from the frontier will need to be exported to help pay for the pipeline and keep the costs of the gas down for Canadian consumers."

Ms. Bryden: Would you consider funding some of the native groups when the route is more precisely defined, so that they can put in their environmental assessment of the route?

Hon. Mr. Auld: As we mentioned before—I think Malcolm did too—it's really a federal responsibility, because a lot of area it goes through is in the territories where they have jurisdiction; and they also have, in effect, if they propose to use it, the say in where it will go in Ontario.

Ms. Bryden: There has been a proposal that all applicants should put a percentage into a pot that could be given to interveners. We are one of the applicants. Would you go along with that proposal?

Hon. Mr. Auld: I would say that it would be a government decision; we have a precedent in the Porter commission and in the Hartt commission for some public money to some interveners, not sort of a blank cheque for anybody. Dr. Porter's proposal, as I recall, is that he would try and take a selection and not have duplication in the points of view that might be supported by the interveners who would be receiving public money to assist them in preparing their intervention.

Ms. Bryden: I will let somebody else get in for the last few minutes.

Vote 1906 agreed to.

Mr. Chairman: This completes the 1978-79 estimates of the Ministry of Energy. Thank you very much.

Before we adjourn, the estimates of the Ministry of Transportation and Communications will come up next Tuesday evening at 8 o'clock. I have a letter from the minister which I would like to read to members and get their opinion and direction on.

[11:45]

"As you are obviously aware, my ministry's estimates are now scheduled to come before the standing committee on resources development this fall. As part of the review of estimates, I believe the committee will want to examine the budget for the intermediate capacity transit system program being conducted by UTDC on behalf of this ministry.

"UTDC is approximately halfway through the program now and has advanced the test centre in Kingston to the point where I officially opened it on September 29. As part of the committee's review I think it might be useful to ask the president of UTDC to arrange a trip for the committee to Kingston in order to review the progress to date and to receive a briefing concerning the status of the test centre and the ICTS program.

"My idea is to have the committee travel by bus to Kingston in the morning, have an afternoon technical review, and to take a tour of the physical plant. I believe UTDC will be able to demonstrate the vehicle in operation.

"If this proposal meets with your concurrence and that of the members of your committee, I will immediately request Mr. Foley to plan such a briefing and advise you of potential dates so they could be co-ordinated with the committee members' schedules. I sincerely believe such a tour would be useful to all of the committee members to gain a full appreciation of the progress of this program."

What is the opinion of the members? Would it be wise for us to go to Kingston to see this program?

Mr. J. Reed: Mr. Chairman, I am a little bit out of it because the transportation critic will be replacing me on the committee when it reconvenes. So it is pretty hard for me to make any sort of comment.

Mr. Chairman: I think Wednesday would be the only logical day that we could actually leave. If next Wednesday would be suitable for the committee members I could phone and make arrangements to see whether the day will be open, whether Mr. Foley could make arrangements for us; and Mr. Reed, you could advise your counterpart of the date. But I think it would be most interesting for all of us to attend this.

Ms. Bryden: Would it take a whole day or a half day?

Mr. Chairman: Travelling to Kingston is quite a distance, I would imagine, by bus.

Mr. J. Reed: Take the Turbo.

Mr. di Santo: Mr. Chairman, as long as we are back by 6 o'clock.

Mr. Chairman: Is that satisfactory to the members? I shall contact Mr. Foley then; and will be in touch with all of you.

Ms. Bryden: Do we not sit on Thursday night?

Mr. Chairman: No, I think Hydro will be discussed tomorrow night in the Legislature.

The committee adjourned at 11:48 p.m.

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From the Ministry of Energy:

Lewan, M., Deputy Minister

Also taking part:

Fush, W., Adviser, Ontario Energy Corporation



Legislature of Ontario Debates

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Resources Development Committee

Estimates, Ministry of Transportation and Communications



Second Session, 31st Parliament

Tuesday, November 7, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, NOVEMBER 7, 1978

The committee met at 8:04 p.m.

ESTIMATES, MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

Mr. Chairman: Members of the committee, we now have a quorum. We're here to discuss the 1978-79 estimates of the Ministry of Transportation and Communications.

We have some substitutes here on the committee. Mr. Reid from Rainy River will be substituting for Mr. Bolan; Mr. Philip will be substituting for Ms. Bryden; Mr. Kerrio will be substituting for Mr. O'Neil; and Mr. Gordon Miller, Haldimand-Norfolk, will be substituting for Mr. Reed of Halton-Burlington.

Mr. Cunningham: I'm the substitute for Mr. Reed of Halton-Burlington.

Mr. Chairman: All right, Mr. Miller will be substituting for Mr. Riddell and Mr. Cunningham will be substituting for Mr. Reid, Halton-Burlington.

I will call on the honourable minister to make his opening remarks.

Mr. Cunningham: Might we establish a few matters that relate to procedure before we get into the minister's opening statement? I'm referring specifically to a petition that had 21 other members of the Legislature signed with regard to referring the OHTB annual report to this committee for consideration—specifically to review a matter that is of concern to us as well as the NDP and that was the United Parcel Service application and the irregularities that surround it. Could we entertain a motion at this time?

Mr. Chairman: What would you suggest so far as a motion Mr. Cunningham? We have 20 hours for the MTC estimates, correct?

Mr. Cunningham: That's right.

Mr. Chairman: Do you feel we should try to fit this into the 20 hours? It's a matter of timing. This is the problem we're having right now.

Mr. Cunningham: I would appreciate your assistance and the committee's guidance on this. Although it hasn't happened very many times, the custom with the agricultural committee and the food inquiry was that one half the amount of time spent on that particular

committee was deducted from the estimates time. In fairness to the other members of the Legislature and in fairness to people who do have some very keen concerns about other matters relating to transportation, I don't think we should have some kind of open-ended discussion on this. I would suggest that possibly 15 hours might be appropriate for us to look at this particular matter and if that time is not used, then we could refer directly back to the estimates.

Mr. Chairman: You mean 15 hours for the transport board discussions and five hours for the estimates?

Mr. Cunningham: Yes, I would move that we spend 15 hours on that. If we use that full amount, one half that amount will be deducted from the estimates time, which would leave 13 hours. I would move that.

Mr. Chairman: Are you suggesting, Mr. Cunningham, that we take 15 hours and use half of those 15 hours against the estimates of the Ministry of Transportation and Communications?

Mr. Cunningham: No, I was suggesting we use 15 hours to involve ourselves in the discussion of this United Parcel affair and that one half that amount be deducted from the ministry estimates, which would leave us with—

Mr. Chairman: We can't do that. The clerk tells us we have to get permission from the House leaders. We haven't got enough time. What you're talking about is 15 hours split in two which means we'd be spending 27½ hours.

Mr. Cunningham: I'm sure you're aware that in good faith, we did deduct five hours from this ministry, which reduced it from 25 to 20 hours.

Mr. Chairman: That's right. That's correct.

Mr. Cunningham: And we felt at that time we could accommodate all the members with concerns about Transportation and Communications. In the light of this petition, I think some more time may be required and I hate to see our questioning on this matter curtailed unnecessarily by time. I know there are limitations. I would just hope we'd be as brief as we possibly can and if we don't require that time, we won't use it.

Mr. Chairman: Would it not be better if we went through the estimates and then spent whatever time was left on this other matter?

Mr. Cunningham: Perhaps you don't understand the extent of our concern on this matter. I'm a little reluctant to get into a number of other matters that relate to transportation and then see us caught short at the end without enough time to explore sufficiently what we believe to be a very serious matter.

I know that my House leader would be amenable to the suggestion I have put forth. I can't comment on the other two parties but I know our party would be amenable to such a suggestion. However, failing an agreement on that, I would move that we spend 10 hours of the estimates time on this specific matter.

Mr. Chairman: Mr. Philip?

Mr. Philip: Ten hours would seem to me to be appropriate on the understanding that we also have 15 hours for the Transportation estimates.

Mr. Chairman: You want to increase the total time allotted by five hours.

Mr. Philip: That's commonly the case. When a serious matter has to be dealt with by the committee, additional hours are added and half of those hours are counted against the estimates.

Mr. Chairman: It has to be done by the order of the House, I am told, so before we can make any final decision on that there would have to be a consensus of the House leaders and direction from the House.

Mr. Philip: It would be quite appropriate for Mr. Cunningham to move that the committee accept the concept and that we ask the committee to request the House leaders to discuss the matter and to obtain the permission necessary.

Mr. Chairman: Any further comments from the other members?

Mr. Cunningham: That would be agreeable.

Mr. Chairman: Is that satisfactory then?

Mr. Philip: moves that the committee request permission from the House leaders to devote 10 hours to an inquiry into the matter of the behaviour of the officials of the Ontario Highway Transport Board, with a particular inquiry into the alleged actions of the transport board officials, vis-à-vis the UPS case, but also dealing with the conduct of transport board officials in other matters; that this will take up 10 hours; and that five hours of that

will be allocated to our time used in estimates.

Motion agreed to.

Mr. Chairman: Very well, any further comments?

Mr. Cunningham: I would like to establish some scheduling with regard to the questions we have. I would like to notify you as chairman of the people I would like to see before us at this time. If you like, I'll give you the names of the people I would like to see before us.

Mr. Chairman: On which matter, Mr. Cunningham?

Mr. Cunningham: On the UPS/OHTB matter.

Hon. Mr. Snow: Normally we discuss whether each of the outside agencies might come before the committee to arrange scheduling after the opening statement. That is the first step to which Mr. Cunningham was referring. There is the OHTB, TATO, UTDC and the Ontario Telephone Services Commission. We didn't get to them last year, as I recall. We used to have the Ontario Northland Railway too, but that's now with Northern Affairs.

Mr. Chairman: Northern Affairs, yes.

Hon. Mr. Snow: It certainly wasn't at me urging. Anyway, when we're scheduling when you want the OHTB matter to come before committee, if you would take into consideration when you might want to deal with the other groups, you can ask the status from these groups to be here.

[8:15]

I regret very much that we have had to cancel the UTDC trip tomorrow. Possibly part of it is my fault. I wrote to you, Mr. Chairman, some time ago suggesting if the committee wished we would arrange the trip to Kingston. For some reason, in writing to you since you are dealing with the committee, I assumed, and I must admit that I didn't check, that Mr. Cunningham and Mr. Philip, the two critics, were members of this committee. I should have also written to them because obviously they're the ones who are perhaps the most interested.

Mr. Philip: Well, on this matter—

Hon. Mr. Snow: If I might just have a minute, if the committee still wishes to have the trip to the UTDC test centre at Kingston which I would recommend as I think the development down there is certainly worth seeing, then I would be happy to try to rearrange this at another time. Mr. Cunningham asked me tonight if that could be done. I don't know what Mr. Philip feels about it.

Mr. Philip: I can appreciate that the minister didn't realize that we weren't informed and, unfortunately, neither Mr. Cunningham nor I are available tomorrow. I'm wondering whether it would not be in the best interests of the committee, the minister, Mr. Cunningham and myself if instead of having the committee go on estimates time, Mr. Cunningham and I with perhaps one or two people either from our caucus or the staff of our caucus—

Mr. Cunningham: Or anybody else who wants to go.

Mr. Philip: —and anyone else who wants to go could take advantage of the minister's offer at a time that is not scheduled for the estimates and that would not be counted in the estimates time. It would seem to me to be more appropriate to have the trip before we dealt with UTDC, as no doubt there will be a number of things we'll find out on that trip.

Hon. Mr. Snow: One of the thoughts we had was to take the trip to—

Mr. Chairman: Kingston.

Hon. Mr. Snow: —Kingston on the bus. Depending on how many were going, I could be prepared, if there weren't that many, to try to arrange an aircraft, if the aircraft could take them. But then it would depend on how many were going.

We would go to Kingston, tour the facilities and see some of the testing going on. There's a committee room down there. We wouldn't be able to have Hansard. That would be the only thing. While it's fresh in the minds of the committee members after seeing the facilities, Mr. Foley and his people would be there and could probably for a couple of hours deal with questions or part of the estimates within UTDC right at the facility.

Mr. Chairman: This would come under vote 2502. So you'd accomplish two things.

Hon. Mr. Snow: I don't think it would be lost time as far as estimates or part of them are concerned. That's up to you, Mr. Chairman.

Mr. Cunningham: If I had had more notice a trip tomorrow would have been satisfactory to me. I share Mr. Philip's concern that the time down there not be deducted from some questions we may have about the operation of the facility itself. I guess you are aware that we do have some concerns about it. I can only say we're going to have some difficulty scheduling these two particular matters. Next Wednesday would be fine with me or basically any other time you want would be fine with me.

The caveat I offer to you, Mr. Chairman, is that while Mr. Philip and I specifically, and maybe our researchers, would like to visit the facility in Kingston, other members of the Legislature, whether they can make the trip or not, should be afforded the opportunity to participate right here in this room in some formal estimates inquiry with regard to the operation of that organization. Any dialogue we may have or anything we may learn will be instructive and certainly educational, especially for Mr. Philip and me. But I do think for propriety's sake that we should separate the trip from the estimates procedure, that it be an instructional type of proposition and that when we come back here we consider the UTDC estimates the following day.

I would suggest, if I could, that next Wednesday we make the trip and that next Thursday we consider vote 2502 in the estimates. As to how we schedule things thereafter, I'm at your direction, Mr. Chairman.

Mr. Chairman: Are you suggesting then that we schedule the trip next Wednesday? Would this apply to the time of the estimates?

Mr. Cunningham: I would suggest no, Mr. Chairman, and I'll tell you why. Quite frankly, last year we had a rather entertaining slide show and film, which unfortunately took up a lot of time. Mr. Foley and company were here one night. We had a vote that started at somewhere around 10:20, and we were late starting. In short, we dealt with an important area that has an expenditure of somewhere in the order of—to date, I can't tell you what it is; I don't know if the minister himself knows how much money has been spent on it, but it's a lot of money. We dealt with that matter for two hours, and I don't think that's sufficient when we're looking at the expenditures of that kind of money.

I would enjoy the trip. I would appreciate it. I hear it's very interesting. I think other members of the committee, and maybe members who aren't members of the committee, would like to go. But I don't think the time should be deducted from the estimates. I would suggest that we go next Wednesday, if that's agreeable with other members—it's certainly fine with me—and the following day, with the trip fresh in our minds, that we discuss vote 2502 with Mr. Foley and his people before us.

Mr. Chairman: Any further comments from the members of the committee?

Mr. T. P. Reid: Let's go a day the House is sitting.

Mr. Chairman: Are the members of the committee agreeable to go next Wednesday?

Mr. Philip: I'm agreeable to it. It poses personal problems for me, because I am chairing the justice committee and we're starting the Kerr investigation next Wednesday. But if I can't go personally, I may be able to send someone else to represent me.

Mr. Chairman: Mr. Minister, could you give us any idea whether, if we only had 20—is 20 the maximum capacity of the aircraft?

Hon. Mr. Snow: Oh, no. If we were to go by aircraft, the maximum would be eight.

Mr. Chairman: Oh, I see.

Mr. Philip: Will you be flying it, Mr. Minister?

Hon. Mr. Snow: I can take mine along. That would take another five.

Mr. Chairman: To go by bus, it would take approximately two hours each way.

Hon. Mr. Snow: It would take more than that.

Mr. Chairman: More than that?

Mr. Kerrio: Frank Drea might have the arrangements made for the bus by then.

Hon. Mr. Snow: It's a full day. I think basically what was scheduled was leaving the building here at 8:30 in the morning, a trip of about two and a half or two and three quarter hours by bus, getting down there about 11 or 11:30, with a tour of the facility for an hour or so. We would have a quick buffet lunch right at the facility—

Mr. Chairman: And questions.

Hon. Mr. Snow:—and then maybe a tour of the building and questions in the room down there. We would leave at about 3 o'clock and get back here about 5:30 or 6 o'clock. That was the rough schedule, but anything can be scheduled by the committee.

Mr. Chairman: Is it agreeable to the members of the committee that we schedule the trip for next Wednesday?

Hon. Mr. Snow: I have a commitment to be in Sault Ste. Marie next Wednesday evening, but I could probably make arrangements to be picked up in Kingston and go direct to the Sault.

Mr. T. P. Reid: Not much going on there, is there?

Hon. Mr. Snow: The Canadian Urban Transit Association convention is in the Sault next Wednesday, and I'm committed to be there for the evening.

Mr. Watson: Have you got to go?

Hon. Mr. Snow: Nothing to do with what—

Mr. T. P. Reid: I knew it wasn't politics. They don't send Mr. Snow in for that sort of stuff—unless they want to lose.

Hon. Mr. Snow: I don't do too badly myself riding—better than you do in yours.

Mr. Chairman: What are the wishes of the members of the committee? Are we on for the trip to Kingston on Wednesday, November 15?

Hon. Mr. Snow: Can we find out how many would want to go?

Mr. Chairman: I definitely want some confirmation that the members present or the representatives will be attending. We agreed upon a visit tomorrow and had to cancel today as a result of phone calls we started yesterday. The members of the committee agreed last week to go ahead with the trip. When I had my secretary check them out yesterday, we started getting replies today and out of 16 members of the committee we ended up with about four who were interested in going. So we cancelled out; there was no point.

Perhaps you would be good enough to come, if you're definitely going to go on Wednesday, so we can make the necessary arrangements. Today is Tuesday. If we could get some indication from you by Friday, confirmation that you'll definitely go, then we can start the wheels in motion and arrange for a bus to go to Kingston and forth. Is that agreeable?

Hon. Mr. Snow: What time do you have to be back for your meeting, Ed?

Mr. Philip: Just the morning.

Mr. Kerrio: We'll drop you off on the way back.

Hon. Mr. Snow: You're meeting on Wednesday morning?

Mr. Philip: Yes.

Hon. Mr. Snow: I thought if it was in the evening or something like that I could make an arrangement to get you back.

Mr. Chairman: All right, is there further discussion regarding next week's trip? If not, are there any other questions of the members of the committee?

Hon. Mr. Snow: So then that's the UT meeting and then Wednesday for the and Thursday evening—

Mr. Chairman: On Thursday we'll be voting 2502 which we should reach by that time to discuss the research and development on UTDC.

Hon. Mr. Snow: A week from Thursday that will be November 16. Okay, what about TATO? Do you have a time you'd like TATO to be here?

Mr. Cunningham: No. At the convenience of the committee is fine with me.

Mr. Chairman: Are there any further comments before the minister comments?

Hon. Mr. Snow: The OHTB matter has to go to the House, as I understand it, to be confirmed there?

Mr. Cunningham: Yes, for the extra time.

Mr. Chairman: This will have to be the consensus of the House leaders.

Mr. Cunningham: But I'd like right now to set a date for that if I could, and indicate to you, Mr. Chairman, whom I'd like to see. I don't know if other members have any concerns but I have a list of a few people I'd like to see here.

Mr. Chairman: Perhaps, Mr. Cunningham, if you could give us a list of the people you would want to appear—

Mr. Cunningham: I'll tell you the list right now, if you don't mind.

Mr. Chairman: Once we decide on a date and time as to when we should start these hearings, then we can make arrangements to call these people.

Mr. Cunningham: Next Tuesday would be fine as far as I'm concerned, if you want to set—or Thursday.

Hon. Mr. Snow: Oh, this Thursday?

Mr. Cunningham: I know that's not very much notice for these people; some of them may want to bring a lawyer with them.

Hon. Mr. Snow: I think the chairman, thinking we were going to be in Kingston tomorrow, has made other commitments for tomorrow. But as far as I know Thursday evening is—

Mr. Cunningham: I wouldn't need to see or talk to the chairman that early in our 10 hours. I don't know how the other members feel, but he's not all that integral to the discussion as I see it. But if you think that's not enough notice, this being Tuesday, I'm at your guidance.

Mr. Chairman: Maybe we should wait until next Tuesday night, Mr. Cunningham. We would have to get the approval of the House leaders on this extra time. By the time we notify these people and give them sufficient time to appear before the committee it might be wise to schedule it for next Tuesday night.

Mr. Cunningham: All right. In order that you might contact these individuals, the people I would like to see are—

Mr. Chairman: Would you care to give the clerk the list? He can then contact these people for next Tuesday night.

Mr. Cunningham: Okay. I don't know if other people had other names to be put on it. I'll read it into the record and then you'll

be aware of it and then I'll give the list to Mr. Richardson.

I'd like to see OHTB commissioner John Wardrop; former commissioner E. J. Shoniker; Richard Zimmerman, QC; Blenus Wright, from the Attorney General's ministry; Mr. Max Rapeport, QC; Mr. Ralph McCreath, QC; and Mr. Bruce Alexander, current chairman of the Ontario Highway Transport Board. Those are the people I would like to see.

[8:30]

Mr. Chairman: Are there any other names members of the committee would like to add to this list?

Mr. Philip: I'd like to add Mr. Sommerville's name.

Mr. Chairman: Any other names, Mr. Philip?

Mr. Philip: Not at this moment.

I think you will find that a couple of those people on previous lists have already left for Florida.

Mr. T. P. Reid: It might be helpful if under the guidance of the Attorney General's office you might read into the record for these people when they appear what parliamentary immunity they have or have not before the committee.

Mr. Cunningham: I'm sorry. I neglected to mention one other person: George Marrs, vice-chairman of the OHTB.

Mr. Chairman: Which Mr. Sommerville is that?

Mr. Philip: The lawyer who represented the post office at the hearings.

Mr. Chairman: Do you have addresses for these people so the clerk can notify them?

Mr. Cunningham: I think I can explain to Mr. Richardson how he can get a hold of them. They are all readily available at the board, or the AG's office for Mr. Wright, or the telephone book for the others.

Mr. Philip: I really wonder, Mr. Chairman, whether it makes very much sense to have all of those people appear the first night. I think that's an awful waste of their time.

Mr. Chairman: Exactly.

Mr. Philip: I would suggest to you that on Tuesday night if the former chairman, Mr. Shoniker, and Mr. Marrs were to appear we could start some initial explorations with them. From there we could start inviting other people to answer questions.

Mr. Chairman: So for Tuesday night you would suggest Mr. Shoniker and Mr. Marrs?

Mr. Cunningham: You might well advise Mr. Wardrop.

Mr. Chairman: So for Tuesday night we'll ask Mr. Shoniker, Mr. Marrs, and Mr. Wardrop, then. Is that agreeable?

Agreed.

Mr. Chairman: Any further discussion relating to Tuesday night? If not, we'll call on the minister to make his opening statement.

Hon. Mr. Snow: You haven't decided on a time when you want TATO A here. Do you want them tomorrow?

Mr. Cunningham: Fine with me.

Hon. Mr. Snow: When would you want them, tomorrow morning or afternoon?

Mr. Chairman: I think tomorrow morning would be fine. We'll have the first two critics and the minister completed.

Hon. Mr. Snow: What hours?

Mr. Chairman: We start tomorrow at 10 and sit until 12:30; we start at 2 and sit until 4:30.

Hon. Mr. Snow: I welcome this opportunity to discuss the ministry's estimates with members of the committee. I have not too long a statement I'd like to make.

Before discussing the specifics of the estimates I'd like to bring you up to date on the strategic planning process we have introduced in the ministry. You will recall that I discussed this briefly last December at our last year's estimates. The purpose of the ministry's strategic planning process is to anticipate the challenge of years ahead, to better plan the services that we provide to the public, and obtain greater control over the use of the financial and human resources allocated to us.

You will recall that last year we had chosen as our theme objective that, faced with the increasing demands, we must do more with less while maintaining our flexibility to cope with our new challenges. Since we met last December, we have produced our second strategic guidelines addressing the period 1979 through 1984 and amplifying those of the previous years, and I believe, Mr. Chairman, the copies of the strategic guidelines have been distributed.

I was pleased by the positive response of the committee members when we discussed our strategic plans at the last estimates session. Our discussions helped to focus a number of issues which are reflected in our second set of guidelines.

The guidelines that I mentioned, along with the mandate, have been tabled for each committee member so that you can see our progress and read at first hand how we are tackling the many transportation and com-

munications issues which confront this province and this ministry.

Another purpose in tabling our strategic planning documents is to demonstrate our commitment to long-term planning as the most effective means of addressing the transportation and communications needs and problems of the people of Ontario and the careful use of our available resources.

During the past year we have made significant progress towards implementing our strategies despite the continuing pressure of budgetary constraints and inflation. For example, in spite of absorbing high inflation which has contributed in a decline in the real value of our provincial highway program budget, approximately 152 new contracts have been undertaken during the current fiscal year involving work on two-lane, multi-lane, divided and undivided highways and structures. This total includes approximately 43 projects on behalf of the Ministry of Northern Affairs.

There has been an increased use of the private sector for supervision of construction contracts and for government vehicle and highway maintenance. This helps to improve the economic performance of the private sector and contributes to a leaner, more flexible ministry.

More and more people are turning to GO Transit as an energy efficient and economic way of commuting. To meet demands for extra capacity, especially during rush hour, the new bi-level coaches on the Lakeshore GO train service have proven to be a resounding success. The Richmond Hill line has become operational and as I have announced before, we are proceeding with the Streetcar-Milton line.

We have significantly improved our relationship with other jurisdictions in the United States and Canada in the area of uniformity and reciprocity of motor vehicle regulation. A number of reciprocal agreements have been consummated with individual states and more are being processed.

These examples are in line with our first strategic guidelines which I discussed with you last December.

For this year's strategic guidelines, the ministry expanded on the earlier theme and adopted the objective of providing responsive service to the public through responsible and innovative management. This theme derives from the seven major ministry overall objectives.

I would direct the members' attention to the section of the guideline document dealing with the objectives and broad strategies which we have adopted to implement g

ment policies. I also draw to your attention the introductory position and prospects which speak to the various programs of the ministry and where we see them added. These are extensions of the thoughts which we discussed last December.

We have also produced a statement of mandate, a document which is fundamental to understanding the role and responsibilities of the ministry. The statement of mandate sets before all of us the defined purpose of the ministry; provides a context for strategic decision-making and serves as a rationale for the programs of the ministry, for policy proposals, strategies and operational decisions. These estimates debates assist in sharpening our understanding of our mandate and the expectations the people of Ontario have for our ministry.

Turning to the estimates for 1978-79, I know all members are aware of the continuing restraints under which the ministries are functioning. While our budget for this current year was originally struck to provide what was basically a no-growth position, the constraints announced in April have had a further effect on the budget.

For example, \$5 million has been deducted from the highway capital construction program; \$2.75 million has been deducted from the salary budget; the total number of commitment positions to be reduced is expected to be about 300; an additional \$2.75 million has been deducted from the direct operating expenses; the Edmonton commitment for transfer payments to municipalities was not touched.

With this background in mind, allow me to speak more specifically about where I see the five major ministry programs headed in the near-term future. The provincial roads program has just completed a major reorganization to enable it to deliver both our construction and maintenance activities via the regional administrative units.

Despite the tight economic situation, we are working to retain a stable level of service in the King's highway system. The major threat is the effect of inflation on fixed budgets and therefore on the ministry's determined effort to maintain a safe, year-round highway system. The problems of capital shortages, energy conservation, the uncertain economic environment are still with us to complicate our medium and long-range construction planning.

In an effort to ensure our delivery costs are held to a minimum, the ministry has initiated a special study to examine the various parts of our pre-engineering and contract administration. This project is being directed

by an assistant deputy minister whose terms of reference are quite clear: to cut our costs while still meeting our work schedules and exercising the necessary control to assure a quality product.

To provide you with an idea of what we are dealing with, the following are the near-term prospects for the provincial roads program. We must continue to invest substantial sums in this program because of the four per cent annual increase in vehicle registration and travel. We must place our highest priority on the maintenance of our existing highway system. Increased congestion may be expected in the central region of southern Ontario but we must not let ourselves fall too far behind in dealing with this congestion.

Nearly \$200 million is forecast to be required between 1978 and 1982 to meet the needs of the freeway program in the Toronto-centred region. We will have to make use of electronic technology for traffic management to obtain the greatest efficiency from our existing system. The federal government has placed further burdens on our construction program funds with its failure to contribute sufficiently to the rail-crossing construction program.

Turning to our municipal transportation program, about half of our MTC budget is devoted to this program which is largely made up of the municipal roads and urban transit activities. We believe that, in general, the overall service level of municipal roads is adequate throughout the province although there is a wide variation among individual municipalities. Efforts will centre on getting more effective use of the existing road system with improvements likely to be incremental in nature.

Of a more specific nature, we have completed the analysis of the status of bridges throughout the province, which I mentioned last year and which was mentioned in the House today. I am pleased to say that in upper tier and large urban municipalities, the needs identified can be eliminated within a few years at the present level of funding. In the townships and small urban municipalities the situation is quite different. When my budget is established I hope to say more about a bridge rehabilitation program which will accelerate the elimination of these deficient bridges.

Mr. Philip: May I ask the minister a question on that?

Mr. Chairman: If you wish.

Mr. Philip: Today in the House Mr. Warner asked if you were willing to supply a list of those bridges that were considered by your

ministry to be defective. I don't believe that you answered that question; I may be wrong. Is there such a list, or do you have a list of priorities in terms of repairing the bridges? Are there any that are really so seriously damaged that they pose any safety hazard to the public?

[8:45]

Hon. Mr. Snow: I don't have a list of all the bridges here. We do have a computerized list at Downsview and I've asked for a copy of that to be sent down to us. I haven't got it yet since the question period this afternoon. I want to have a look at it myself to see whether I think that would be sufficient, for instance, to table in the House, whether it would be readily understandable, as it is a computerized list.

We do not have, to my knowledge, another list other than to provide the reports of each municipality. At the Good Roads convention two years ago I asked the municipalities to carry out this bridge inspection program. Each municipality—in most cases they hired a consultant engineer, but I'm sure some of the larger ones that had their own staff did it themselves—reviewed and inspected every bridge over a 20-foot span, that is a 20-foot span or larger—the footings, foundations, the underside. Everybody tends to drive over bridges and never gets underneath to look.

There are some that haven't reported yet, but the vast majority of them are in now, and they have presented us with a consultant's report. How many hundreds of reports we have, I don't have that information right here, and each report deals with the bridges in each municipality. Just briefly, 8,300 bridges have been inventoried—8,301, I believe it is—in the province; 5,748, or 70 per cent roughly, were found non-deficient. That leaves 2,554 bridges that have had load limit capacities put on them; 456 bridges, or about five per cent, have been limited to loads of from zero to six tons, and obviously, if it's got a load limit of zero the road is closed; 362 have load limits applied to them of seven to nine tons, and 1,736 bridges have load limits from 10 to 17 tons.

So there are 2,554 bridges that necessarily don't have to be all replaced but they need some work, they need deck repairs, they need some piling or gabions to protect the foundations. Maybe there's some undermining, maybe there's some bank stabilization, maybe some guardrail work, but in some way those bridges need work done on them.

Mr. Cunningham: How many of them have you shut down?

Hon. Mr. Snow: We don't shut them down. The municipalities pass bylaws to establish load limits on the bridges.

Mr. Cunningham: How long have you had the information?

Hon. Mr. Snow: It's been coming in. We have dealt with some of them. I have met with some municipalities. I believe one of your townships, Mr. Ruston, was in and we met to discuss their bridge program; and Mr. Belanger, one of yours was in to see me. The town of Listowel, for instance, were in to see me, as I recall. Some of these are under way now.

Mr. Ruston: With 800 and some municipalities, it seems to me that this is a complete waste of government money to send out something like this to all the members of the Legislature. I think the municipalities are capable of knowing what bridges need fixing, and for us to get into that kind of paperwork is ridiculous. I think it's absolutely ridiculous. You told us the general number of bridges that need repairing and they're in municipalities; they're not provincial highway bridges which I am sure a lot of people in the House thought they were today.

Hon. Mr. Snow: No, let me clarify one point there. There are two bridges, I believe two bridges on connecting links—no, I'm sorry, there's more than that, there're two that are in bad condition.

Mr. G. I. Miller: Which two are they?

Hon. Mr. Snow: Those are the two in Listowel.

Mr. G. I. Miller: I was wondering about the Caledonia bridge.

Hon. Mr. Snow: There are 13 bridges on connecting links and those are really on provincial highways but within municipalities.

Mr. Ruston: All the rest are in municipalities?

Hon. Mr. Snow: All the rest are in municipalities. The reports we're talking about were commissioned by the municipalities. We subsidized the cost of the report under a special program because Mr. Gilbert and I were concerned that the situation was as it is, and that there were a number of bridges that were not being properly maintained or that the municipalities were not aware were perhaps below standard. Each report of each municipality is a book something like this depending on the size of the municipality.

Mr. Ruston: I've got 11 municipalities and I'm sure their reports don't need to be sent to each member of the Legislature in order to have a look at the bridges. Even to think about that is absolutely ridiculous.

Ion. Mr. Snow: I'm prepared to give members of the Legislature as much information as they want.

Mr. Ruston: Can you just imagine the paperwork?

Ion. Mr. Snow: The municipalities had the reports prepared. Perhaps two or three copies of these reports were sent into the minister. If they are required, I'm sure we could get additional copies from all 900 municipalities and table them in the Legislature.

Mr. Ruston: Just fix the bridges that need fixing and leave it at that.

Ion. Mr. Snow: The municipalities will be responsible for establishing their priorities as to which ones they want to do first. I have suggested to those municipalities that have a number of bridge deficiencies that they set up a program over the next five years to make the repairs or to make these replacements in that we will try to co-operate with them in the funding. I have also stated that in this coming year we will be giving a higher priority to requests for funds for bridge work than we will for road work, until we get caught up on these bridges.

Mr. Cunningham: Are you satisfied that the municipalities, especially the ones that have the 456 bridges that have limited their weight restrictions from zero to six tons, are going to move expeditiously to see that these bridges are either closed or, if they're in bad shape, repaired as soon as possible?

Ion. Mr. Snow: I think the municipal councils in the municipalities are certainly responsible people. The ones I've talked to are very anxious to get ahead with the program. They're setting their priorities. Many of them are getting pre-engineering done at this time.

I know the mayor and the clerk-administrators of the town of Listowel were in to see me. They have two connecting link bridges in their municipality. One is in rather serious condition. The other one is deficient but is not that serious.

They don't want to do both bridges in one area because they would have two of the main streets in their town torn up at once. They didn't want to tear the town up this fall before Christmas because it would upset the whole main street. It's right downtown. I approved funding for them to do the pre-engineering, which I presume is almost complete now or is under way, with the hope that they would call tenders and start construction immediately after Christmas and have the bridge built before the spring comes. That is the type of planning that

has gone on in co-operation with the municipality and the ministry.

Mr. Cunningham: What have you done with provincial bridges on provincial highways?

Hon. Mr. Snow: Our provincial bridges are inspected continually by our own staff. We haven't hired outside help.

Mr. Cunningham: And you're satisfied there's no problem there.

Hon. Mr. Snow: We're continually building new bridges and replacing on an ongoing basis.

Mr. Gilbert: You might add too that this problem isn't unique to Ontario. As any of you will know that read American papers, the problem has occurred in a number of American states. Remember a lot of these bridges were built a number of years ago. As the minister said, we became increasingly concerned about this several years ago in a small sample study we did ourselves. This is why the minister announced this program a couple of years ago to see if the municipalities would take a good look at them and not only repair or replace some of the bridges, but improve the maintenance of them. As he was saying, the maintenance of the bridges has caused as much of a problem in some areas as others. A lot of the problem is because a lot of these bridges were built a number of years ago and have to bear increasing traffic loads.

Hon. Mr. Snow: A lot of these bridges are old single-lane rusty steel, farm road-type bridges, as many of us from the rural area know. There's one in the community where I live. I read about it in the paper the other day, so I drove up to have a look at it. It has a two-ton load limit on it.

Mr. Cunningham: I hope you walked over it.

Hon. Mr. Snow: It's an old single-lane concrete structure. It is on a regional road in the region of Halton. I understand the region has proceeded to design a new bridge and they are going to build it under their normal program.

Mr. Cunningham: So it is safe to assume that if there are a number of unsafe bridges, the municipalities are totally aware of them and we can expect some kind of action.

Hon. Mr. Snow: The administration of a municipal road program is under the jurisdiction of the municipal council and their road committee and staff. We gave them this special assistance program to carry out these reviews and get a total picture of the condition of bridges across the province. A few municipalities haven't got their studies in to

us yet. There is a memo from my staff dated October 3, 1978, which summarizes the reports to date. I have had this memo for close to a month.

Mr. Chairman: Would you like to go ahead with your opening remarks, Mr. Minister?

Hon. Mr. Snow: Insofar as urban transit is concerned, the capital requirements for subway construction in Metropolitan Toronto are beginning to decline. However, the requirements for other corridors, such as the Scarborough line, are issues now being discussed with Metropolitan Toronto and other municipalities.

Of special interest to us in this program is the contribution that urban transit can make to a rejuvenated industrial base in the province and in Canada. A joint program between the government of Ontario and the UTDC, and the government of Quebec and UTDC, will result in the expansion of light-rail technology in Canada. These initiatives are directed towards meeting European competition in the international market and acquiring an appropriate share of that market for Canada.

We are also involved in the development of articulated buses in Ontario designed to meet our particular needs and which would have the potential for international sales.

Our third program deals with provincial public transportation policy. This program includes our responsibilities for air, rail, ports and provincial transit. This program, more than any other, is sensitive to or dependent upon other agencies, corporations and jurisdictions. That includes our interface with the federal government on rail, air and port matters.

Again, I want to highlight several issues of concern to us. We have been operating the municipal airport program in the north for several years and in the east for a little over one year and felt we were responding to the needs of communities which came under our program. With the federal government now cancelling its small airport program, we anticipate further pressures on us to fill the vacuum created by the federal withdrawal.

The ministry is involved in a number of hearings before the Canadian Transport Commission. The current concern is our appeal to the recent CTC decision concerning the Air Canada purchase of Nordair. The decision, as taken, greatly restricts competition for regional air carriers. The joint federal-provincial southern Ontario multimodal passenger study is nearing completion and should clarify a number of issues of concern to both governments.

Our fourth program area is transportation regulation, which deals primarily with drivers and vehicles. Our driver regulation activities are concentrated on improving safety on the provincial transportation system. These efforts include the demerit point system, the classified driver's licence system, the very effective seatbelt use program, our current priority in the area of driver improvement and the probationary driver's licence which I recently introduced to the Legislature.

[9:00]

Regarding seatbelts, the ministry has just completed a new film entitled *Dice in the Box*, narrated in part by Dr. Hedley Smith the coroner from Shelburne, Ontario. I would be prepared to show this after our estimates session should the members be interested in seeing it.

The members of the committee will be pleased to know that the most recent figure show a continuing drop in driver-passenger fatalities over the same period last year—339 this year, compared with 415 last year at the same time.

The most noticeable vehicle regulation initiatives are in our mandatory school bus safety inspection, mandatory dump truck vehicle safety inspection, and the new effort that I am now introducing that will ensure the safety of all buses on Ontario highways.

In addition to these initiatives are the ongoing concerns connected with the safe and efficient movement of goods over the Ontario highways system. In this respect, the recommendations of the select committees on the highway transportation of goods and highway safety have our continuing attention.

Communications, which is our fifth program, is still in the development stage, but I believe its role will expand substantially during the next five years as the importance and potential of communications technology for this province expand.

You will recall that the federal and provincial communications ministers reached agreement in Charlottetown last spring to undertake the delegation of responsibility for cable distribution systems to the province. Progress has been made at the official level on mechanisms to enable this to occur but the resumption of the constitutional stalled efforts to proceed with the necessary legislation in the House of Commons. I was hopeful that, because there has been an agreement among the communications ministers, the first ministers would proceed with this delegation without waiting to sort out all of the other parts of the constitutional debate.

As you are aware, Mr. Chairman, the first ministers' conference decided to address the communications question as part of their sort list for immediate attention. This means that it is possible the province could be assuming an effective role in the area within the next year.

I consider this to be a very encouraging development. We must move quickly to remove the uncertainties under which the cable industry operates. We are also active in other communications issues with the federal government. The other provinces and the Canadian Radio-television and Telecommunications Commission.

Within the province, we will be focusing our attention on the development of cable broadcasting and telecommunications services in northern Ontario and on improvements in the rural telephone systems.

To summarize, I am reasonably satisfied that we are continuing to maintain the excellent service which the public has come to expect from the Ministry of Transportation and Communications. But I want it understood that, while we have generally maintained our services to the public, we have had to cut back in some areas because of the reductions in the rate of funding which are affecting all ministries.

We are looking at better ways of doing things. We are re-examining the standards that we have accepted in the past to see if they are relevant for the 1980s and consistent with the funding which will be available then.

Since we met in December, events have made it clear that the economic health and wellbeing of Ontario and Canada is the pre-eminent issue facing the government. MTC continues to be seen as one of the key ministries which has an important role to play in the improvement of economic conditions. The fundamental need for a modern, efficient road network will continue to be a priority to provide for efficient and competitive movement of goods and information. We must ensure that this system is maintained and expanded where necessary.

While I do not expect drastic alterations in the activities of the ministry, we all recognize that economic pressures on the government could force changes in the years ahead. We will be intensifying our strategic planning process to place MTC in a position to react quickly and allow us to make those changes.

In addition to these general remarks, Mr. Chairman, I would like to take a few minutes to review the expenditures of the ministry by program activity since 1971, when the Departments of Highways and Transport were

merged into the new ministry. I have chosen this particular point, because it illustrates clearly our commitments to transit and commuter activities and our other programs.

I also want to review for you what we see in the way of requirements for one of the programs, provincial roads, in the next few years so you will have an appreciation of the programs with which we are dealing. My purpose in doing this is to give the committee the most concise understanding possible of the responsibilities of the Ministry of Transportation and Communications and how we have been carrying them out. As we proceed through the discussion of the estimates, we can discuss the other programs to whatever level of detail you and your committee may wish.

I have some flip charts over here to which I would like to draw the members' attention. Please excuse my fumbling around with glasses. They're my first set of bifocals and I don't know which direction—I guess that's a signal I'm getting old.

The figures and details in this chart include the programs under the ministry and the programs we carry out for the Ministry of Northern Affairs. This backdrop gives an indication of certain growth factors within the province over the period 1971-78. This is the growth of the gross provincial product in that period; the growth in the total provincial expenditures—and these are in constant dollars—the growth of licensed drivers over that seven-year period; the growth in registered vehicles, which you can see is growing at a faster rate than the other factors, and the number of vehicle miles travelled in the province which is growing at a faster rate still. Any questions on that one?

Mr. Cunningham: Is there a test on this at 10:30?

Hon. Mr. Snow: This shows the—

Mr. Philip: You haven't distinguished between private vehicles and commercial vehicles?

Hon. Mr. Snow: No.

Mr. Philip: Do you have any figures on those?

Hon. Mr. Snow: I don't have them immediately. I don't know whether we have or not.

Mr. Gilbert: We would have to break them down. We haven't got them broken down on the chart like this. We would have an indication, though, of the private and commercial figures.

Mr. Philip: Are there major fluctuations, depending on the economy?

Mr. Gilbert: Do you mean between the commercial or private?

Mr. Philip: Do you have a decrease in commercial vehicles at the time of recession we've just been through as compared to a period of economic growth?

Mr. Gilbert: Not as I recall, Mr. Philip.

Hon. Mr. Snow: I don't know if we have any figures on that, but one of the first indicators of a movement in economy, I find, is how busy the trucking industry is. When industry generally slows down, the first indicator is the trucking industry—they're not moving as many goods. As soon as the trucking industry starts to get busy, that's a pretty good indicator that things are starting to move.

This gives an indication of the portion of the provincial budget spent in different major areas going back to 1943 through to 1978. The one we're discussing mainly is transportation. I chose the peak period from the late '40s up to the mid '50s, showing how that is tapering off to where the Ministry of Transportation and Communications budget now is a much lower percentage of the total provincial expenditures than it has been in recent years.

These are the ministry's major program expenditures, mainly the capital expenditures, in the transportation field. These are in real dollars from 1971, when MTC was formed with the amalgamation of the other two ministries, up to 1978.

If you follow this line you will see the increase in real dollars in the overall budget in each year. There was a minor decrease back here but other than that, there's been an increase each year.

If you look at the provincial roads program, it is divided into two areas: maintenance and construction. Maintenance has grown gradually because one of our highest priorities is to maintain the existing system. Our construction—and this is in real dollars—as you will see, has stayed almost identical over that period of time.

In the case of municipal roads, that is, the money transferred to the municipalities, you will see how that has expanded over the year. Municipal transit started off quite low in 1971-72 and has expanded quite substantially over the years. The blue shows the expansion in expenditures on the provincial commuter system or basically the GO Transit system. Any questions on that?

This is the same line exactly as you saw on the other charts, but this is in constant dollars. The green is the total dollars reduced by inflation. The red line represents

current dollars, while the green line is constant. You will see that the overall expenditures on all those programs have basically held a level line for the year's program in constant dollars.

The last sheet is the total ministry expenditure of those five programs. This is how that block of money in constant dollars broken down. In constant dollars the municipal roads program basically stays about the same level right across that period of time. The municipal transit has grown substantial and the provincial transit has grown considerably. As this line is almost level, the maintenance part of the provincial roads program has been almost constant. The construction program has been reducing substantially over that period of time.

Those are the major expenditure areas of the ministry. I think that indicates fairly well what has been happening to our programs over those periods.

Mr. Cunningham: Do the visuals do any work on revenue, contrasting that for graphically for licensing, et cetera? Is that readily available? Have you any graphs on that?

Mr. Gilbert: Yes, we have graphs on revenue. We don't have them here tonight.

Hon. Mr. Snow: You are thinking of revenue from motor vehicle licences, PC licences and gasoline tax?

Mr. Cunningham: Sure.

Hon. Mr. Snow: This is certainly available. It is really part of Treasury. I have some limited data but I don't know how up to date it is. I think I have it some place. What type of information would you like, Mr. Cunningham?

Mr. Cunningham: I would just like to know to what extent the revenues associated with your ministry have gone up or down.

Hon. Mr. Snow: In this case we have had to group together the expenditures of the former Departments of Highways and Transportation to get comparisons. Going back to 1950-51, the total expenditures of the two ministries were \$83 million. The revenue at that time was \$85 million from gas tax, licensing and that type of transportation-related revenue.

[9:15]

As we move up to 1955, it was \$142 million in expenditure and \$146 million in revenue; in 1960, \$242 million in expenditure and \$234 million in revenue; in 1965, \$368 million in expenditure and \$368 million in revenue; in 1970, \$512 million in expenditure and \$580 million in revenue; in 1975,

\$598 million in expenditure and \$651 million in revenue; in 1972, \$597 million in expenditure and \$702 million in revenue and in 1973, \$690 million in expenditure and \$758 million in revenue.

Then the thing started to go the other way. In 1974, there was \$811 million in expenditure and \$802 million in revenue; in 1975, \$953 million in expenditure and \$840 million in revenue—that's an estimate for that year—and in 1976-77, \$984 million in expenditure and \$880 million in revenue. That's the latest year I have. The Treasurer or the Minister may have more up-to-date figures. Those are the latest ones I have.

One of the interesting points is that back in the 1950s and 1960s, approximately 30 per cent of the government's total budget was spent on transportation. That started reducing in 1965 to 24 per cent; in 1970 to 13 per cent; in 1971 to 12 per cent; in 1972 to 10 per cent; in 1973 to 9½ per cent; in 1974 to 9 per cent; in 1975 to 9.2 per cent and in 1976 to 7.9 per cent. I think this year about seven per cent of total provincial revenues goes to transportation.

Mr. Cunningham: It's decreasing largely because we are paying the balance out to pay the interest on our debts most likely.

Hon. Mr. Snow: Unless there are further decisions, that completes my opening remarks.

Mr. Chairman: Thank you very much. We will now call on Mr. Cunningham, the MTC critic for the Liberal Party.

Mr. Cunningham: I don't want to get into great detail. I think the minister again for his opening statement this year. I had heard rumours that the minister was going to be promoted and that his replacement was going to be Mr. Drea but they took a vote and Mr. Hennessy won. We are delighted to see the minister back.

Hon. Mr. Snow: Can someone decipher that for me?

Mr. Philip: I'd much rather be punched in the nose by Jim Snow than by Mickey Hennessy, I can tell you that.

Mr. Wildman: I'd like to see a battle between Mickey Hennessy and Mr. Snow.

Mr. Cunningham: I appreciate receiving your statement of mandate and your strategic guidelines which were dated April 1978. Unless I am seriously mistaken, which I have been in the past, this is the first occasion I have seen these documents. Were they tabled in the House or sent to us before?

Mr. Gilbert: Not this set of guidelines. The April 1978 guidelines were not tabled in the House.

Hon. Mr. Snow: The previous ones were tabled in December.

Mr. Gilbert: We submitted the previous ones to this committee last year.

Mr. Cunningham: I'm just wondering why we wouldn't have received them prior to tonight which, as you can appreciate, might be helpful. This brings me to a point. I must say with some regret that after two and a half years of looking at the affairs of this ministry I am personally somewhat disappointed at the lack of consultation that goes on in this ministry. I think of other ministries where at the direction of the minister the specific critics of the Legislature are informed. They are invited on every occasion to participate in anything in any remote way that relates to an educational experience.

I think of the Minister of Culture and Recreation who used to take the critics aside and spend some time with them with regard to his estimates. I learned today or yesterday that such is the case with the estimates of the Ministry of Community and Social Services. They spend two or three days. I am still a little upset at learning at this late date that on October 3 the minister wrote to the chairman of the committee with regard to a visit to the test track at Kingston and that the respective critics for the NDP and the Liberal Party were not informed of such a decision.

I get even more upset when I find out that your strategic policy committee has a report dated April 1978 and strategic guidelines dated April 1978, copies of which we weren't afforded until tonight. How anyone could expect us to comment intelligently on these particular documents at such a busy time of the year, without having read them, is just beyond my comprehension.

In many ways, I must say, it's a situation that I suppose is somewhat similar to the annual report of the Urban Transportation Development Corporation, which quite often we used to get just prior to the start of estimates. It was in many ways a complicated document that required some assistance by accountants and sometimes—

Hon. Mr. Snow: Mr. Cunningham, I think you've had the UTDC report for some—

Mr. Cunningham: We've had this year's report, sir, but in previous years it was the custom that just before the estimates would start—

Hon. Mr. Snow: The UTDC report, the Toronto Area Transit Operating Authority report and the ministry annual report, I table as soon as they're ready.

Mr. Cunningham: This particular year, yes. But they're not done on any regular basis. This year we have been given the copies, and I'm not making specific reference to them this year. But in the past, I want to tell you, we usually got them right before the start of estimates. It's very difficult to get into any kind of complicated or objective analysis, especially on the UTDC, with the kind of notice we've had. I and other members have complained about this in the past—and I know our research staff has—and now, today, we get documents of I don't know how many pages long, which indicate what your policy and your guidelines with regard to strategy are going to be until 1984.

Hon. Mr. Snow: Mr. Cunningham, if I might clarify something: The estimates we are starting to discuss tonight are based on the strategic policy guidelines that were tabled last December. These guidelines are for the coming year.

Mr. Cunningham: The question I'm asking is: Why, if these things are dated April 1978, we're just getting them today?

Mr. Gilbert: But that is for the coming year. Last year, at these same estimates, we tabled the guidelines for the following year which these estimates are based on.

Mr. Cunningham: How can we comment on what these are about if—

Mr. Yakabuski: It won't happen until next year.

Mr. Gilbert: It shows the direction the ministry is going in for 1979 to 1984. It's right on the front, Mr. Cunningham.

Mr. Cunningham: I think I've made my point, Mr. Gilbert. I think that you're aware that quite possibly you could have sent these over to us earlier, and we might have involved ourselves in some analysis of them and some discussion about what we're going to do in the future. Quite frankly, I'm disappointed that we didn't have them earlier.

Hon. Mr. Snow: Though, Mr. Cunningham, you might point out in all fairness, that your estimate books were delivered to you at least several weeks ago, I hope.

Mr. Cunningham: Yes, I would. But I still think that these particular documents, which I suppose are vital to what the ministry is going to do in the future, could have been sent to members of the committee, and at least to the critics, so that we could take a look at them. I know that your policies, especially in the last couple of years with regard to the roads and municipal programs, which do involve a great deal of expenditure of money, have involved more comprehen-

sive planning and they have been somewhat comprehensive.

With that in mind, I know that you're not going to be changing your policy or changing your plans on a regular basis, but we'd like to be kept up to date. I suppose you're just getting me at a bad time. I was a little frosted about the lack of consultation of this Kingston trip yesterday. Then, to get this today, I'm just a little sour about it.

Hon. Mr. Snow: I must apologize for that. I don't like to interrupt you, Mr. Cunningham, but you're not any more frustrated—or frosted, as you call it—than I am over that trip. Unfortunately, there was an error: The first letter I wrote must have been on at least September 1, but it was addressed to last year's committee chairman, Mr. Murray Gaunt, suggesting a trip be set up prior to the opening of the House. I guess Mr. Gaunt got the letter, and maybe he wasn't around at that particular time, but it was while before we twigged to the fact that we had written to the wrong chairman. We had written to last year's chairman of the committee. Then we wrote again to Mr. Havrot on October 3.

Mr. Chairman: I must confess that I have to take the blame for this. I had been withholding this letter from the committee simply because we were in different estimates from the time the House started sitting, and we didn't bother with MTC critics; we were more concerned about the other estimates we were discussing at the time. And, of course, you two gentlemen from both parties were not on those committees when we were discussing other ministry estimates.

Mr. Cunningham: The fact that we're not on the committees is somewhat irrelevant.

Mr. Chairman: I don't think it's this important.

Mr. Cunningham: No, and I'm not going to hassle you over it.

Mr. Chairman: We are nit-picking on a little minor thing here which I think can be resolved and which I think we'll resolve tonight.

Mr. Philip: It is entirely your fault, Mr. Havrot.

Mr. Chairman: That's right, absolutely, and I'll take full blame for it.

Mr. Cunningham: Mr. Havrot, it was your fault that Mr. Philip and I, and I suppose other members, were not invited to the opening of the UTDC test track itself, which I believe was on September 30.

Hon. Mr. Snow: I believe there were invitations sent to both caucuses.

Mr. Cunningham: I never got one, and I think if I had received one I would have made an attempt to get down and see that particular facility. I don't want to take up too much time, but I'd like to serve notice that there are several areas that I'd like to devote some attention to if time permits during these estimates. One, of course, I made reference to earlier, and that was the United Parcel Service decision which came down from the UTB this past summer. Another one is, of course, the UTDC. Bus inspection and safety and trucking regulation are other matters that I would specifically concern myself during the vote-by-vote discussions.

There are some points that I'd like to make on these four issues, and specifically on the UTDC I'd like to take some time to discuss the entire issue. I hope that the evening we have Mr. Foley here we won't be—especially after our visit to the test track—subjected to another film and slide presentation.

I'm not entirely convinced that the UTDC is performing a useful purpose at this time. That's not saying that everything they're involved in maybe shouldn't be done, but I do question—and I think that the minister recalls questions from my leader and from myself with regard to the possibility of privatizing the UTDC or involving the private sector in a joint venture, if you could possibly convince people to get involved in this particular project, so that the Ontario taxpayer is not going it alone.

It's an area where I suppose I have a philosophical leaning, Mr. Chairman, that possibly the private sector should be looking at as opposed to government. I look at the suggestion that the minister has made that we have some federal support, and you've talked more recently I suppose about two ICTS demonstration projects, one here in Toronto and the other in Hamilton. That calls into question again the extent to which this ministry makes consultations with people in the local municipalities. I get the impression that people in Hamilton and certainly the chairman of Metro were somewhat surprised to hear that these two test facilities were going to be constructed in their respective locations. I think they were somewhat caught off guard.

If you wanted to construct ICTS in a location where there could be some limited revenue, I use I don't know why you didn't locate it outside Kingston in the first place. The test track might have been located in the CNE some time ago and the requirement to spend—I'm not certain, Mr. Minister, what the final figures are on the cost of the test track but they certainly are significant and—

Hon. Mr. Snow: Mr. Cunningham, I hope once you've seen the test track facility you'll realize that that type of facility could not possibly be placed in the CNE, but we won't argue about that.

Mr. Cunningham: I'm looking forward to the visit. I'm not entirely convinced that we need a further demonstration of that particular technology that appears to be just a rehashing of the old Krauss-Maffei proposal, but I think we'll be able to spend some time on that.

I would like to know from the minister, possibly tonight, why we haven't seen the kind of consultation with the local municipalities that one would expect with regard to the expenditure of these kinds of moneys and their respective involvement. I get the impression, somewhat indirectly, from Mr. Paul Godfrey that he was somewhat amazed that the test facilities, as they are to be, are going to be in Toronto, and I think that that probably stems from some lack of consultation.

[9:30]

I would like to spend some time in the third vote on safety and regulation. I am sure the minister will be aware of my concern and I think the concern of the critic for the NDP and I suppose the remaining members here in the Legislature who participated on the select committee on the highway transportation of goods. Specifically, I am referring now to Bill 21, which was removed from the order paper, and subsequently the retableting of Bill 28 which is really a watered-down version of that.

Hon. Mr. Snow: Bill 78.

Mr. Cunningham: Bill 78, yes; a watered-down version but specific in its intent to see an element of deregulation in the transportation industry in Ontario. I want you to know, Mr. Minister, that when the select committee—and I was surprised when we had a select committee, quite frankly, albeit it was my suggestion—made its interim report on September 30, 1976, you may recall that it was a unanimous report. I am sure a number of your staff have spent many hours going over the recommendations.

I recall receiving checklists of what was acceptable to the ministry and what was not acceptable to the ministry. The long and short of it is that when we made our interim report on September 30, 1976, now two years ago, and then our final report in April 1977, just before the election I recall, we were quite specific in our intent in a philosophical way to maintain regulation in the province.

I am not one for seeing the maintenance of regulation per se as a panacea for all our problems in the regulated transit of goods in Ontario.

I suppose I should digress by saying, Mr. Minister, that when that committee started, you perhaps recall the position that my party had and especially myself. I was not that fussy about regulation. I was, in fact, one of the keenest on the other side I suppose, but I went into that committee open minded, as I think every member did, and I came out convinced, having heard all the evidence and having travelled to illustrious places as Geraldton and Ottawa and all over the place, that especially our smaller communities and our rural communities, in fact every community in Ontario, would be well served by the continuation of a regulated system of transportation in Ontario.

I don't think I would be remiss in saying that every member of the committee came to that conclusion. There were no dissenting opinions. It was interesting to note the extent to which the report generally was accepted across the province and especially by the industry. If it had been adopted, I think it could have served as an excellent basis for a transportation policy for the movement of goods in the province of Ontario.

Such a situation, I want to say to you respectfully, sir, did not exist prior to the tabling of that report. The report was very comprehensive. A number of recommendations could have been implemented and now I see that as a result of some concerns, probably the UPS matters, you are having an interministerial committee study a committee's report. I am disappointed with that, sir. I thought that the report was a good report.

Hon. Mr. Snow: Would you explain what you mean by an interministerial committee?

Mr. Cunningham: I am sorry, specifically in your ministry. Intra, within your ministry.

Hon. Mr. Snow: I heard you say an interministerial committee. I think what you are referring to is the administrative review that the chairman of the OHTB has initiated within the board, not within the ministry. I think that is what you are referring to.

Mr. Cunningham: You are using staff from your ministry. That's the point I'm trying to make.

Hon. Mr. Snow: One staff member of the ministry who is very familiar with the recommendations of the select committee has been made available on loan to the board.

Mr. Cunningham: To study the select committee's report. You have already had a committee of people within your ministry, to the best of my knowledge, go over that report.

It is now some two years after the tabling of the interim report. I think, if I recall correctly, the order setting down this particular committee was somewhat specific in its desire to see an interim report.

On that basis, members of the committee spent a lot of time and worked very hard to see an interim report with a view, hopefully, that in the near future the recommendations could be implemented. Here we are some two years later and for the most part the committee's report and the committee work has been set aside, has been ignored and, in fact, the tabling of Bill 21 and Bill 22 represents, in my opinion anyway, a philosophy that is directly contrary to the select committee report.

I know that a government, any government is not under any obligation whatsoever to adopt or implement select committee reports but on many occasions you gave the industry and the public and the Legislature the impression that for the most part it was a good report and the report would be implemented. I must say that the fact that Bill 78 remains on the order paper, that we have not been able to find some accommodation with regard to your view or your desire to see an element of deregulation, which I believe is the first step towards deregulation in the province, the fact that we haven't had some conclusion to the fact that you haven't set aside that letter that you haven't pulled it, or that you have made specific amendments to delete the amendments that involve deregulation, I want to tell you frankly is a disappointment to me.

Another area that I'd like to spend some time on—and we'll discuss that matter on third vote—but the one thing I would like to discuss, if possible, is school bus safety within the province. You'll recall that I wrote you a letter that you referred to as emotional, which I want to tell you I take some offence at. I'm not inclined to write too many emotional letters. I'm not inclined to get emotional about anything, but the school situation is not all that healthy, in my opinion. You announce with some pride that you are going to have mandatory inspections of school buses within the province, but the school bus inspections are going to be done for the most part by people who work for the school bus companies.

Quite frankly, I feel a sense of sympathy for the individuals, inspection people, mechanics, who work for McLeod Motor, Stoney Creek. Here an individual is required to be judged in his own court, I suppose with regard to the safety of a school bus can just see him going to one of the McLeod boys and saying: "This particular bus should

scrapped." They obviously felt that they were in a very difficult position. It's a position where it's a conflict of interest.

The individual who works for McLeod, who must owe his loyalty to the owner of the school bus line, is required to put a certificate on that bus or possibly get some admonition, for want of a better word, from the owner of the company. With that in mind, a number of those buses, after a couple of accidents, were inspected and I don't have the up-to-date statistics on it, but 30 of them were not fit. There were certain areas where they were unfit. I believe that 10 or 11 of them were removed from the road. There have been other instances—

Hon. Mr. Snow: You must remember though this took place before our program became effective September 1.

Mr. Cunningham: Yes, it did, but I still must say to you that I'm absolutely amazed, and we'll get into some detail with regard to our concern about school bus safety—

Hon. Mr. Snow: I'll be glad to.

Mr. Cunningham: —I'm absolutely amazed that you would continue to see a situation where a company would inspect its own vehicles. I find that amazing, I really do. I can see where you would make some kind of accommodation in the far north or in some far removed community where it would be virtually impossible for the owner of the company to have the bus shipped into Sault Ste. Marie twice a year or whatever or to some major centre to see some independent analysis of its fitness.

For the most part, in 95 per cent of this province there are places where these buses could be inspected independently. The position that the individual, the mechanic, is put in is an invidious one. There's just no other way to describe it. The individual must pass fitness on the bus or possibly bear the brunt of some criticism by the owner. It's a very difficult situation.

The McCleod situation is one that is not or should not be a new one to the ministry. People have been making complaints about this particular company for a long time. I'm not certain just what the conclusion is. I'm not certain whether you've taken away their right to inspect vehicles—you've limited it to cars and trucks, I think—they have a Chrysler dealership as well. I'm not certain whether you've removed their right specifically to inspect buses.

The general point I would make is that companies should not be put in this position. I'm certain there are a number of buses being given in Ontario—notwithstanding the fact

that I imagine we got some people shook up about it—that are not safe.

I recall a story put to me by one of my constituents who is an amateur expert on school bus safety. You should perhaps—

Hon. Mr. Snow: An amateur expert? That's quite a—

Mr. Cunningham: She's one of the few experts who aren't paid a great deal of money, but she has taken it upon herself to involve herself in the study. Possibly you might consider retaining her some time.

She tells me the story of a lady in Ancaster who questioned why her daughter came home with her dress all dirty and splashed with mud. The child responded, "The bus did that, mother." The mother said, "You shouldn't stand so close to the bus." The child responded that she was in the bus. The general conclusion was that there was one large hole in the bus.

I would like to spend some time on that later on. I know you are prepared to discuss this. I hope as well that your staff might consider some discussion about safety standards.

With those remarks, I would defer to the NDP critic.

Mr. Chairman: Thank you very much, Mr. Cunningham. I'll call on the MTC critic for the NDP, Mr. Philip.

Mr. Philip: I can agree with the statements made by Mr. Cunningham concerning UTDC. I was particularly concerned by the lack of sensitivity in consultation with local municipalities, particularly with Hamilton, Mississauga, Toronto and Metro.

I'd like to take a few minutes to outline some of my areas of concern and perhaps highlight some of the things I think we should be dealing with in more detailed form under the particular vote.

On the matter of Mr. Cunningham's resolution, I was in agreement with it, but with some reluctance. I'm not convinced this is the committee to deal with a matter as serious and as legal as the alleged actions of the former chairman of the transport board.

I would have preferred that the matter of the conduct of the previous chairman had been dealt with in the justice committee, not because I happen to be the chairman of that committee, but because I feel that under the Statutory Powers Procedure Act clearly we have to deal with the matter of those bodies that fall under the justice umbrella.

It's clear to me that justice is what is being challenged, not Mr. Shoniker and not the substance, the merits or demerits, of the UPS application. We will have time now, assuming

the House leaders agree with our motion, to question Mr. Shoniker and Mr. Marrs in some detail in the next few days. However, I would at least like to devote some time to this matter.

Since I became Transportation critic in 1975 I've constantly been challenging the minister to look into what I have called the incestuous operation of the transport board. I've argued that decisions are based, not on policy—they're not based on benchmark cases—but rather, on the whims and the decisions of the chairman of that board.

[9:45]

I've asked the minister to show some leadership and to develop policy which was clearly defined to order the chairman of that board to at least develop benchmark cases so that anyone can go and find out what the policy is. But he has failed to deal with that. I've challenged Mr. Shoniker to explain certain inconsistencies in his decisions and we have never received very adequate answers.

None of this has been attended to and it is little wonder that US lawyers who are used to practising before the ICC come up and question the conduct of the board. Rules of evidence are not adhered to—sometimes they are and sometimes they're not. A judicial body or a quasi-judicial body such as the transport board must be beyond any kind of suspicion.

I don't think it should be the job of this committee to act as a lynch mob for any particular person, be he the present chairman, the past chairman or the vice-chairman. I do believe we should be dealing with these matters just as in the justice committee we will be dealing with the alleged improprieties of Mr. Kerr tomorrow. What we will be doing in that committee is not so much examining Mr. Kerr's action but looking at what are the kinds of policies needed to see that doesn't happen again. It is the justice system that is being questioned, not an individual who may have made a particularly unfortunate decision or action.

When the Kerr incident occurred the Premier (Mr. Davis) was very quick to promise he would bring in guidelines that would deal with that matter. We haven't seen those guidelines but at least the Premier was responsive enough to recognize there was some kind of policy that was needed to see that the independence of a judicial system or a quasi-judicial system was upheld. It seems to me what we have to do in our investigation of the transport board when it comes up is not try and embarrass a particular individual but rather deal with the kinds of policies that are needed to see that

the transport board functions and is seen to function in an independent way.

The removal of the previous chairman is really not enough to prevent any recurrence of similar incidents. We need only talk to some of the lawyers operating before the board; they will tell you that, at least until now, Mr. Marrs is running the show. That is what is believed by the people at the present time who are operating before that board. So if you make Mr. Shoniker the sacrificial lamb, or the sacrificial goat, as the case may be, business can still continue as usual.

That isn't the answer. I feel it's very important that the transport board be forced to justify whether it's committed to abiding by proper judicial process. In this regard I would want to question Mr. Sommerville who was the lawyer acting for the post office, and members of the board, and ask questions, such as was there a meeting he attended with representatives of the German postal officials and at which representatives of the other side, the United Parcel Service, were not present.

I would similarly want to ask Mr. Shoniker and Mr. Marrs about certain other peculiarities in that hearing that have been reported to me—I can only go on the reports and the information that has been given to me. For example, was there an adjournment at one point during that case, specifically on February 16, 1978, when an expert witness came and when it was challenged that he should not appear? At that time the chairman is alleged to have gone into close quarters with two lawyers—not the lawyer who had brought the witness but two other lawyers, namely Mr. Zimmerman and Mr. Sommerville—and later came out with the decision to allow that particular person to appear.

I have a number of examples like that. They are not necessarily connected with the UPS application but they are examples about which we have to ask questions.

There are a number of other lawyers who should be invited to come before the committee. My suspicion is that UPS is merely the tip of the iceberg. My experience with trucking association conventions, having libations in rooms surrounding trucking association conventions and overhearing and listening to people who are concerned with the trucking industry, with lawyers who are appearing before the board, would indicate that whereas certain lawyers would not appear and give evidence on a voluntary basis, they may well provide evidence if required to do so. For that reason, Mr. Cunningham's motion was quite appropriate and

we may well start to find out what has been going on at the transport board as a result of that motion. I congratulate him for it.

I'm concerned about the board because I believe in a regulatory process. Those who would destroy the regulatory process are now cheering because they say, "You see how the transport board operates? That just goes to show that regulation doesn't work."

In allowing this board to behave in the way in which it does, you have gone a great way towards undermining the regulatory system. That's what I'm concerned about.

Bill 78, An Act to amend the Public Commercial Vehicles Act was also clearly a destructive act, an act contrary to the select committee report, as Mr. Cunningham has pointed out. The bill was so bad that certain people in your own party found they couldn't support it. In the last estimates I was able to quote to you speeches from the Honourable Darcy McKeough to whom we can trace the origins of Bill 78, the origins of deregulation in this government.

You've subsequently kept the bill on the order paper. You know full well that it causes anxiety in an industry that does not make large profits. You know that in so doing, you are punishing an industry that has tried to co-operate with you, an industry that has opened its books to you, an industry that has devoted a lot of time to helping the select committee understand its business and an industry that has never failed to come before you and present its concerns and co-operate with you.

It's a little bit like punishing those who simply happen to disagree with your bill. It's clear that neither the Liberals nor the NDP would support Bill 78, so why not remove the anxiety that exists in the industry by removing it from the order paper or amending it in the way in which we suggested, by simply taking out the deregulation section? Mr. Cunningham and I would both agree with the bill if that section were deleted.

What is most disturbing about the regulatory system is the lack of enforcement. We have a regulatory system which is being undermined all the time. I wonder why Mr. Quinn and his transports are still on the highway? You have the authority to take away their plates and yet they're still running the roads. Why does he have the right to claim he can run the roads while those who obey the law, who are paying the taxes, who are paying for their PCVs have to compete with him?

Ellis Morningstar may still be living up to his claim and working well in Ontario. I

don't know, but it certainly leads to that suspicion.

Mr. Cunningham: Probably still has an office here.

Mr. Philip: Since the minister can't achieve deregulation through legislation, it would appear to us that you're achieving it through lack of enforcement. Trucks carrying fruits and vegetables that are processed are running the roads all the time. Reciprocity seems to mean that you allow every gipsy from Georgia to run our roads in competition with our law-abiding, regulated carriers.

Can you imagine how a truck driver must feel when he pulls into the weigh station and he is fined for being overweight because of a load that has been put on by a shipper and for which he is not personally responsible—and he is fined, contrary to the recommendations of the select committee, which suggested that the shipper should be co-responsible if he was responsible for the loading.

Not only does the driver get fined, but he sees a gipsy who is running that road get by without even a wave of the finger from anybody at that weigh station. It's little wonder then—

Hon. Mr. Snow: Are you suggesting that the weight regulations are not being applied equally?

Mr. Philip: No, I'm suggesting that, if you're going to apply the regulations, you should apply all the regulations. Why do you only apply weight regulations and, at the same time, not check for PCV violations? We should deal with that in greater detail.

Hon. Mr. Snow: We have a staff that does nothing else but check PCV regulations.

Mr. Philip: I beg your pardon?

Hon. Mr. Snow: I say we have a staff that is doing nothing else but checking on PCV enforcement.

Mr. Philip: If that's the case, perhaps they need a helicopter to catch Mr. Quinn, because they certainly haven't been successful at taking him off the road in five years of violations.

Hon. Mr. Snow: We'll have comments on that at the appropriate time.

Mr. Philip: I'll have comments also.

In a similar way, I would like to deal with the regulation of the cartage industry during the appropriate vote. I think it has been shown that municipal regulation invariably is simply taxation. It has nothing to do with quality control. The economic zones, particularly in Metro Toronto, are not equivalent to the municipal zones. Clearly, both in the

cartage industry and in the tow-truck industry, we have to move towards a provincial licensing system.

I would also like to see us set aside some time to deal with the Public Vehicles Act. It's fairly clear to me that there have been major violations by the limousine services; some of them are certainly operating as unlicensed taxis. I would question some of the lack of regulation concerning limousine brokerage houses and the kind of trap they can get the driver and the car owner into.

I will want to be questioning whether, if the government is going to regulate the taxi business, whether it should be in or out. At the present time, with this mixup of limousines and taxis, we don't seem to have any kind of a systematic system. I was talking to someone over dinner who informed me that he came in from the airport and had his bags thrown out of two different taxis, simply because he was going only a couple of miles away. If that's the kind of system we have, I can understand why someone coming from Europe, where they have regulated cab and limousine systems, would find this to be a frightening experience.

I would like to propose that the committee also set aside a block of time to focus on safety. Recent incidents with school buses, to which Mr. Cunningham has referred, certainly indicate that we need to look at that. I agree with him that, if you're going to have any kind of inspection system, you must have some kind of divorcement between the inspecting company and the bus company owners.

[10:00]

When we're talking about school buses, we're talking about a completely different thing from the large transport buses. I dare say that it doesn't make any economic sense to cut back on safety on Gray Coach or Greyhound, but those firms that are operating the school buses can cut back on safety to their economic advantage and I think this can be shown.

In a breakdown of a school bus you have a bunch of irritated teachers perhaps, some irritated parents perhaps, but by and large the school buses are running at 30 miles-an-hour in a fairly close radius of the centre of the company. A breakdown on the highway by a large transport bus certainly costs the company money. It also costs them an awful lot of goodwill, and you're dealing with a more sophisticated instrument.

Mr. Cunningham referred to his friend, the lady in Hamilton—Ancaster is it? Okay; I met her friend anyway. I asked her, after

we talked about school bus safety, to just jot down some of her ideas about how school buses could be made safer, because it's something she was looking into. It's kind of interesting and I think I'd like to read some of the highlights of it into the record, because it shows how a concerned individual can perhaps beat the ministry in coming up with the kinds of ideas that are needed to deal with school bus safety.

Mrs. Sarah Wood from the Hamilton District Council of Women wrote me a note on October 31 after we had lunch and talked about some of our ideas on bus safety and she put down some of these notes:

"1. Twice annual inspection of school buses to be conducted by an independent class A mechanic, not in the employ of the bus carrier. I was supported by the Consumers' Association of Canada, Hamilton branch, the Provincial Council of Women, the Wentworth County Council Home and School Association, and Mr. D. F. Meyrick, chairman of the Ontario Licence Suspension Appeal Board; and it's covered also in the Spectator, October 26, 1978.

"2. Stundees must not be permitted on school buses." Again, that's supported by a long list of people in groups similar to that.

"3. Qualifications of school bus drivers must be improved through more stringent selection and better training in the areas of defensive driving, emergency first aid and the handling of children." Then a long list again, supported by Ontario Public School Men Teachers' Federation, Provincial Council of Women, et cetera.

"4. Seatbelts for school bus drivers should be mandatory." Again, supported by a long list.

"5. School buses should be provided with two-way radios, particularly in rural areas. That, I am pleased to say, was supported by the Etobicoke Board of Education.

Hon. Mr. Snow: Mr. Philip, did you support seatbelts for school bus drivers?

Mr. Philip: Yes, if you go, of course, Etobicoke, we also support seatbelts for the students as well.

Hon. Mr. Snow: I believe those are mandatory now for the school bus driver.

Mr. Philip: Yes. In Etobicoke they are also mandatory for the students, and I believe Mr. Mel Swart has a private member's bill that deals with that.

In a similar way, I think that we should be looking at the auxiliary transportation students. I had an example given to me just a short while ago that I'd like the ministry

look into. Can he explain why the Simcoe county school board can transport 16 a day of children who are mentally retarded in a 1969 two-door car without seatbelts? I'm told that the Orillia police have had a number of complaints about this, but of course they are in no position to do anything about it. Mr. Millcrest, the chairman of transportation for that particular board, I understand doesn't even offer that particular transportation system up for consideration.

I haven't had an opportunity to spend a lot of time researching that, but I wonder what kind of thing is legal in this province; and why is it legal that we can take our children who have learning difficulties, or our children who are mentally retarded and handicapped children, and transport them around in this kind of fashion?

I also wonder about driver education. Clearly, the Ontario Safety League is incapable of adequately supervising driving school instruction. They don't want to be in the business. There are other things they do so much better. Questioned, they have said publicly that the moment the Minister of Transportation and Communications provides some other system of supervising driving school education they would be happy to get out of the business. They were forced into the business simply because nobody else was doing it.

Do we have a system where, if consumers go to one school that happens to have the Ontario Safety League's sticker on it they can get a reduction in their insurance. If they go to another school, which the ministry officials again will not say is necessarily a less qualified school but simply does not have the Ontario Safety League sticker on it, they pay a higher rate. You wonder, from a point of view of safety, but also from the point of view of consumer protection, why the ministry has not found some way of developing a regulatory system for driving schools; at least getting those driving school associations together to have some kind of a certification program.

Those are some of the concerns that I have, no doubt under the appropriate vote we will have an opportunity to deal with those in much greater detail. Thank you.

N. Chairman: Mr. Minister, do you have any comments to make in reply to Mr. Cunningham or to Mr. Philip?

En. Mr. Snow: Mr. Chairman, I haven't made a particular note of all of their comments. I think they have indicated their intention to discuss these particular issues and the appropriate votes and I think we

could discuss them in more detail more appropriately under the different votes.

On vote 2501, ministry administration program; item 1, main office:

Mr. Wildman: I have a couple of questions for the ministry on a number of its approaches. First, I have a question in regard to the way MTC hires labourers or skilled heavy equipment operators for maintenance contracts that they're carrying out, in-house contracts. I was contacted recently by a number of individuals in my riding in the Blind River area who were concerned about the fact that MTC was carrying out a maintenance contract on Highway 557 in the Blind River area.

They had submitted their names to the local patrol yard, which then submitted it to the district office. They never received any further correspondence or notification from the district office. The contract is under way and they still haven't received any contact as to whether or not they would be eligible or whether or not they would be hired; just no notification at all.

I wonder if this is a usual thing—I hope it's not usual, I hope it's unusual; I would like to know what would have been the reason for that.

Hon. Mr. Snow: Would these be employees to run ministry equipment?

Mr. Wildman: Yes, MTC is doing some work on the highway, needed some extra men, these people applied—one, as a matter of fact, has worked for MTC on a number of other jobs and I think for a while was a casual, he worked quite some while on snowploughing or something in the past. I guess the word was around that MTC was going to be hiring some people, they submitted their names. Other people were hired from the same area, but these individuals didn't even know about it until the contract was commenced.

Mr. Gilbert: If I could answer: quite frankly, Mr. Wildman, it is left up to the local foreman, or the callman in the case of the patrolmen, and the supervisor to hire their people. Something that could be happening in some areas, as has been mentioned, with the complement and strengths and what have you I can see the district office saying: "Before you go out and hire anyone else let's make sure there is no one available in some adjacent patrol or some adjacent crew who is on regular staff."

I can see that is why perhaps the district has asked the patrolmen to check with them before they do hiring; but under normal circumstances certainly it is left up to the

local foremen to hire, and presumably he would keep a list of the people. If someone has worked for us before, and the foreman knows it, human nature being as it is, and they have been a good employee, they usually get the first opportunity. Going beyond that, I don't know the specific situation, but that is the normal procedure.

Hon. Mr. Snow: The reason I asked whether it was for ministry-owned equipment is because on many of those projects we hire trucks, bulldozers, et cetera.

Mr. Wildman: As far as I know this wasn't contracted out.

Hon. Mr. Snow: No, I am not suggesting it was, if you would just stay with me for a moment. If they hire a local bulldozer then the owner of the equipment supplies the operators.

Mr. Wildman: That is what I meant by not being contracted out. I didn't mean it in terms of a road-building contractor.

Hon. Mr. Snow: In most cases, on those jobs we do not own our own equipment, we rent the equipment.

Mr. Wildman: Anyway, I can give you the specifics of it.

Hon. Mr. Snow: If you would get me the specifics we would certainly look at it.

Mr. Wildman: The main thing I am concerned about is the fact that these guys never got a reply. They weren't told: "No, sorry, we already have our complement." They were still waiting to find out and the contract began, and that is how they knew they hadn't been hired.

Hon. Mr. Snow: If you drop me a line and give me the details of the particular job and the patrol, or the district, I'll get you a complete answer.

Mr. Wildman: Just in relation to what Mr. Gilbert said, there was a case where the Highway 129 patrol was closed and a couple of people were moved down from that to work on this job. But there were more than that hired. There were some local people hired as well.

I have a couple of other general comments that would come best, I think, under main office because they deal with general policy in terms of areas in the north, and that is in relation to local roads boards and statute labour boards. I understand they do not have the right now, under the statutes or the regulations, to erect highway traffic signs.

For instance, if on the roads administered by a local roads board or statute labour board there is an intersection which

might require a yield sign or a stop sign—I think a stop sign specifically—according to the statutes they do not have the right to erect such a sign, whereas a municipality would. In the large areas of unorganized territory in a riding like mine, or throughout the north, there are a large number of local roads boards and fewer statute labour boards. As the minister was pointing out the number of motor vehicles is increasing and in some cases this is becoming a problem.

[10:15]

I know of one particular case in a riding where there was a serious accident at such an intersection. It was an intersection where there was no sign saying which was the through traffic. I know traditionally, I guess under the regulation the automobile on the right has the right of way, but sometimes when you are coming to a right angle kind of intersection, a T-type intersection, it might be very useful if these organizations had the right to erect traffic signs that could be administered and enforced by the OPP under the Highway Traffic Act.

Hon. Mr. Snow: One of the problems in a local road board area is there's no municipal structure—

Mr. Wildman: Exactly.

Hon. Mr. Snow: —to pass a traffic bylaw to legalize the establishment of signs. I think I'll try to have a more definitive answer for you when we get to the municipal roads vote, which is where the money for the subsidy to local roads boards.

Mr. Wildman: Also in relation to the dealing still with unorganized areas, I had a recent meeting with some officials from the regional office of the Ministry of Transportation and Communications in Thunder Bay, at which we were discussing safety. It pertains to pedestrian traffic, especially school children crossing provincial highways. Among other things, we were discussing a particular area where Highway 17 goes through unorganized townships. The principal of one of the local elementary schools raised a serious concern that he had school children's safety in crossing Highway 17 at a particular point on their way to school. He pointed out that there were many signs.

I've raised that matter with the regional office, but I understand the board of education in an unorganized area apparently does not have the right, as a municipal body would have, to put a school crossing guard

ture to stop traffic. I was so informed, anyway, by the officials from MTC in Thunder Bay. Since the board of education is the only municipal structure of any sort in an unorganized area that would certainly be concerned with the safety of school children crossing the highway, it seems very unfortunate if that's the case.

Certainly a municipality can have school crossing guards; they have the right under the Municipal Act. Perhaps, then, the ministry should be looking at making recommendations to IGA and the Ministry of Education to make some sort of an amendment to the Education Act to give boards of education the right to do that in unorganized areas. Under the Education Act the boards of education now have the right to do a number of other things that municipalities normally would do in an area that is organized. I would hope the ministry would look at that possibility.

Mr. Gilbert: This is a real problem in unorganized municipalities. You will recall a couple of years ago, that we talked about the possibilities of trying to set up some type of structure; TEIGA I think, looked at the possibility of setting up some type of structure to give them the powers that organized municipalities have. As you know, under the Local Roads Boards Act, the Ministry of Northern Affairs can now do something as far as firefighting equipment is concerned. That was to solve a problem similar to what you're talking about.

Mr. Wildman: That was done subsequent to my raising it in the Ministry of Northern Affairs estimates. That's why I'm raising it here.

Hon. Mr. Snow: My concern is who would object to the board of education providing a school crossing attendant.

Mr. Wildman: No one. I just think that really they can't do it. I'm suggesting that you might look at recommending to the Ministry of Education and to IGA amendment of the Education Act so they have the right to do that. I don't think anyone would object.

Hon. Mr. Snow: I certainly can see no objection to—

Mr. Wildman: I'm going to approach the Ministry of Education on it also.

Hon. Mr. Snow:—supplying an older student or an adult to assist children in crossing the highway.

Mr. Wildman: It came up in a discussion with MTC officials when we were talking about a similar intersection in the municipality.

They were saying, "Okay, the municipality can put a school crossing guard here." I said, "All right, what about this other intersection?" They said, "There's a problem there because there is no municipality and the board of education under the Education Act doesn't have the right to do it." Well perhaps they should.

Hon. Mr. Snow: That certainly has never been brought to my attention before. I would be prepared to discuss this with my colleague, the Minister of Education (Miss Stephenson). I wish that school boards having this concern would bring it to my attention or to the attention of the Minister of Education. I can see no objection to it as far as I am concerned.

Mr. Wildman: Good. Another point: where a provincial highway goes through the municipality, is it correct that the Ministry of Transportation and Communications, according to the present regulations, cannot erect pedestrian crossing signs; that is those big signs with a picture of a kid running? Where the highway goes through a municipality MTC can't erect these signs?

Hon. Mr. Snow: Are you talking about a crosswalk?

Mr. Wildman: No, they are pedestrian warning signs to warn motorists there might be pedestrians on that road. You erected a large number of them through the Garden River Reserve just recently. They are needed in Garden River, although I would question whether they need as many as were erected.

Mr. Gilbert: This is anywhere, is it; just anywhere on a highway?

Mr. Wildman: Yes.

Mr. Gilbert: And the sign just says pedestrian?

Mr. Wildman: These large ones they put up in the Garden River area are triangular black and yellow signs, that have a picture of a boy running; then they have a little rectangular sign above it or below it in some cases saying pedestrian crossing.

Mr. Gilbert: I am not aware of any restriction on putting these up.

Mr. Wildman: I was told by a Mr. Welker from MTC in Thunder Bay that he wasn't sure. He didn't say emphatically that he couldn't, but he wasn't sure if the ministry could erect such signs along a highway in a municipality.

Mr. Gilbert: I am not aware of any problem other than perhaps a policy we might have as far as proliferation of them. As you said in Garden River there may or may not be too many.

Hon. Mr. Snow: I don't know what percentage of our highways run through municipalities, but probably about 95 per cent would be within a municipal boundary. It's only in the unorganized areas in the north where they don't. To put up a sign drawing the attention of the motorist to the fact a pedestrian may be walking or crossing the road every mile or every half mile or every five miles would make them a common occurrence. In my opinion, you should only have them where an actual need is indicated. I don't see why we could not put them up.

Mr. Philip: Supplementary, Mr. Minister: Have you studied the system of moose crossings in Norway?

Hon. Mr. Snow: I will have to take a trip to Norway and study moose crossings at the first opportunity. When does the moose season open in Norway?

Mr. Philip: I think you will find there is a system of automatic signals triggered by a moose.

Hon. Mr. Snow: Do the moose activate it? Are they self-activated? We have deer crossing signs in Ontario.

Mr. Wildman: We have moose crossing signs.

Mr. Philip: You don't have automatic deer crossing signs.

Hon. Mr. Snow: We will have to refer that to the next select committee.

Mr. Wildman: In relation to that, there is a story in the White River area in my riding where the tourist hunter—

Hon. Mr. Snow: How come you never invite the minister to go along on any of these exotic trips? I'm planning on staying around for a while.

Mr. Wildman: —from Ohio stopped at a gas station and asked the young fellow if he had ever seen any moose in that area and where could he get a moose. He said, "If you go down the road about half a mile, there is a sign that says moose crossing. Just sit there and wait." The thing is, the guy came back three days later with a moose, so I guess you put it up in the right spot.

Hon. Mr. Snow: We are very talented.

Mr. Wildman: At any rate, I agree with the minister's comments about the proliferation of these kinds of signs. I would agree that they should only be erected where there is large volume of people crossing at a particular point.

Mr. Gilbert: It's usually not regulated by its policy.

Mr. Wildman: I am encouraged, if it is the case, that there's not a regulation of a sort that says it can't be erected in a municipality.

Hon. Mr. Snow: Certainly not to my knowledge.

Mr. Philip: Mr. Minister, is it Mr. Eaton's responsibility to put up the crossing sign? What, in fact, does the parliamentary assistant do? I see he gets a \$5,000 honorarium which is more than I get as an honorarium and I'm here tonight. I'm wondering, what does the parliamentary assistant do?

Hon. Mr. Snow: I don't see how this fits in with a discussion of signs for pedestrians.

Mr. Chairman: It's a good sign, though.

Mr. Philip: Would you take that question under consideration? I would like it answered under this vote. I'm sorry for the interruption.

Hon. Mr. Snow: Mr. Philip, there is a written formula of duties for a parliamentary assistant. Mr. Eaton assists me in many ways. He attends our policy meetings, Downview and assists me there in the development and consideration of ministerial policy items. He represents me at many functions where I'm not able to be in attendance myself.

Mr. Philip: So it's more than just a social function?

Hon. Mr. Snow: Oh, very much so.

Mr. Wildman: I have three other questions. One is about paved shoulders and a program of paving the shoulders of highways in Ontario. I understand that now is a general policy of the ministry. Frankly, I think it's a good policy, and I support it. But there are a couple of programs I have noticed in areas where they have paved shoulders in my riding.

I just wonder what happens when you are approaching a structure or a bridge. If the ministry considered special signing to ensure that we don't end up in a very unsafe situation where there is very congested traffic? Drivers of slower vehicles travelling on the shoulder could suddenly find themselves approaching a structure and having to move back into a two-lane situation where there is a long line of traffic. This could produce a very serious problem.

Hon. Mr. Snow: First of all, the paved shoulder is not a driving lane. You're talking about a fully-paved shoulder situation. Where we do install fully paved should

we have not widened the structures to accommodate the width of the shoulders through the structure. But, where there is a structure coming, there is a sign that indicates that the road tapers back; it is similar to the sign at the end of a passing lane to indicate that lane is coming to an end. It's like the signs on the freeways that indicate a lane is coming to an end.

For instance, on Highway 69, which is the main highway where we encourage limited use of the paved shoulders, the sign reads: "Slow vehicles may use paved shoulders to pass." It's not intended that those be 60-55-mile-per-hour—or whatever the speed is—driving lanes. They allow the driver of a slow vehicle, such as a camper or a car pulling a boat or whatever, if he sees half a dozen cars lined up behind him, to pull over. These are working out quite well. They will never take the place of a four-lane highway. They don't completely take the place of a passing or truck climbing lane. But, as I say, they are the ministry's first major experiment where paved shoulders are allowed to be used.

[1:30]

If they are on our freeways, we have signs up: "Do not drive on paved shoulders." But up on Highway 69 we constructed about 30 miles of paved shoulders at a cost of something like \$3 million. On a cost-benefit ratio we got back a lot of benefit. Certainly I feel that I have had through my staff and through citizens driving them has been quite complimentary about how much improvement there has been on that highway for \$3 million. Sure I would like to see Highway 69 four-lane from Barrie to Sudbury, but for \$3 million we probably wouldn't have built more than a mile of four-lane highway, whereas we built 30 miles of paved shoulders.

In the particular area in your riding I don't believe we have signed those paved shoulders. I haven't been up there since they have been completed, but we have not signed the paved shoulders in the same way because of the concerns of the Garden River Reserve band. At the request of the band we only put two-foot paved shoulders through the reserve and the full-paved shoulders are only for short distances at each end. We didn't sign them in that way.

We have another set of paved shoulders in the Kenora area, from Longbow Corners to Kenora. Again I haven't seen the signing on those—I would presume they are signed similar to Highway 69. I don't know because it is a fair distance there. In talking

to people from Kenora they are very happy with it.

Our general policy on paved shoulders for two-lane highways, which we implemented about a year ago, is either an existing traffic density of 4,000 vehicles per day or where we expect the density to be 4,000 vehicles per day within the next five-year period. When we resurface that road two-foot paved shoulders are standard.

A highway wouldn't be four-lane if it didn't have more than 4,000 cars a day, so it automatically qualifies, so all four-lane undivided highways are now getting the two-foot paved shoulders, as are all two-lane highways where there are 4,000 vehicles per day. We are not resurfacing, we are not going out and adding them, but as the roads are resurfaced we are doing it.

It is making a tremendous difference. On some of the new projects, contracts that were awarded last year but where the paving hadn't taken place when I announced the new policy, we changed those contracts to have the shoulders paved. They are really working well and they are a great addition to safety. The cost is not that substantial, and there is a benefit from the reduced maintenance on the shoulders. You don't get the drop-off—vehicles don't suck the sand and gravel out at the edge of the pavement and make that drop-off. We don't get the same erosion problem from rains. It is just a much safer situation at not too great an additional cost.

Mr. Wildman: Mr. Chairman, if I can just have one moment to respond to that—

Mr. Chairman: Will this wind you up for tonight?

Mr. Wildman: Yes.

Mr. Chairman: Go ahead.

Mr. Wildman: I wasn't referring to Garden River—it is only two feet there because of that whole thing we went through before. I was talking about the area east of the reserve and north of Sault Ste. Marie on Highway 17. That's what I was referring to.

The one thing about it is how do you determine the policy in terms of numbers of vehicles? I know it's more than 4,000 in order to be looking at a four-lane. Do you have any policy in terms of vehicles in relation to paved shoulders, or is it just a policy that all highways eventually, as you are redoing them—

Hon. Mr. Snow: I'm sorry if I didn't come through plainly. I said it applied to all two-lane highways that have a vehicle count

of 4,000 per day or more or that we expect will have that vehicle count. If the vehicle count now is 3,600, for instance, we would expect that would reach the 4,000 level within five years and it would get the paved shoulders. All four-lane undivided highways get the paved shoulders, and the two-lanes that meet the 4,000 count.

Mr. Wildman: Okay, thank you.

Mr. Chairman: Thank you very much Mr. Wildman. It's 10:35. We shall adjourn gentlemen, until 10 o'clock tomorrow morning, when Mr. Cunningham will have the floor.

The committee adjourned at 10:35 p

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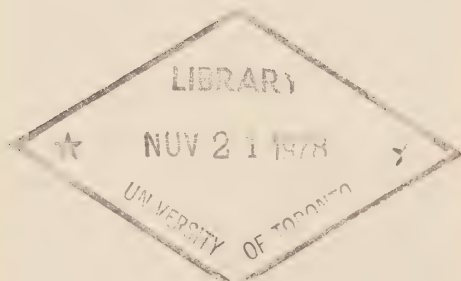


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Transportation and Communications



Second Session, 31st Parliament

Wednesday, November 8, 1978

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 8, 1978

The committee met at 10:10 a.m.

ESTIMATES, MINISTRY OF TRANSPORTATION AND COMMUNICATIONS (continued)

On vote 2501, ministry administration:

Mr. Chairman: When we adjourned last night we were on the ministry administration program; Mr. Cunningham is our first speaker this morning.

Mr. Cunningham: Does the minister, or do any of his officials, have speeches prepared by people outside the ministry? If so, who is writing them and how much are they costing?

Hon. Mr. Snow: There are none being prepared outside the ministry, although we would get input; from UTDC and TATO for instance, on items relating to those areas.

Mr. Cunningham: That's understandable.

Hon. Mr. Snow: But we have no outside speechwriters nor have we ever had any contracts for them.

Mr. Cunningham: Very good. I have no further questions on that particular vote.

Mr. Chairman: Are there any other members who wish to comment on vote 2501 on items 1 to 7?

Mr. Cunningham: If that is the way you're going, Mr. Chairman, I have a couple more.

Mr. Chairman: Oh, do you have more? I thought we would cover it all in this period of time.

Mr. Cunningham: Okay. Very briefly then on legal services, does MTC retain external legal services instead of relying on its own ministry lawyers; and if so on what occasions would that be done? Under what circumstances would you be hiring lawyers from outside the ministry and what would the costs be?

Hon. Mr. Snow: Basically, the lawyers in the ministry are on the staff of the Attorney General. The Attorney General supplies legal services to the ministry, although we have our own legal department. The lawyers are physically assigned to the ministry but they are on the complement of the Attorney General.

When outside legal counsel is required for any purpose, it is arranged by the Attorney General. An example of this would be on a complicated expropriation matter or something along that line. The Attorney General will then engage outside counsel to handle it. That is the decision of the Attorney General.

[10:15]

Mr. Cunningham: On your audit services, I recall an internal audit of the ICTS program last summer—produced by a group within your ministry referred to as the dirty half-dozen, I think—identified some questionable expenditures. We asked that some information be provided on that audit. Some of it was. We would like any audit reports you have on the ICTS subsequent to the audit which is already in the public domain, if that's possible.

Hon. Mr. Snow: I'm sorry?

Mr. Cunningham: I think your deputy understands the import of my question.

Hon. Mr. Snow: I recall the questions in the House regarding certain internal audits on the ICTS program. I thought all the reports or drafts were tabled in the House some months ago.

Mr. Gilbert: What the member is asking about are the internal audit ministry reports which came to me as part of our monitoring responsibility for UTDC. The internal audit reports are part of that monitoring function and really are a tool for me, as the senior administrator in the ministry, to use to report to the minister what is happening on that program. We have a technical member, a financial man, an audit man and a legal man on that team, set up to monitor what is going on. They are all giving me internal comments and reports. We meet once a month and go over what it is, but it is strictly a management reporting system.

Mr. Cunningham: Are you telling me, Mr. Gilbert, that the information we're requesting is of a confidential nature; that it would be recognizing the technical development of the program of a proprietary nature that may compromise or undermine our activities as far as marketing or development go; that it wouldn't be in the interest of the company?

Mr. Gilbert: Partially that, and partially because of discussions with the Provincial Auditor. When the Audit Act was reviewed and changed, this whole question came up and it was determined at that time that internal working papers and what have you of the audit, and the reporting relationship between the auditor and management, are not reports that have to be tabled. In fact he took strong objection to that. He said it was going beyond the Audit Act.

This really is what is happening here. I am getting reports from about four different people on how they see that program going and that is all part of the review process, the reporting relationship I have with the minister.

Mr. Cunningham: I don't want to overwork this, Mr. Gilbert, but I do recall some comments in the press and some things I heard surrounding the investigation by this so-called dirty half-dozen. I must say I tend to have some respect for their work.

Mr. Gilbert: So do I. I don't call them the dirty half-dozen, just for the record.

Mr. Cunningham: No, I wouldn't think you would. It's the people on the other end of it who call them the dirty half-dozen. They provide a useful function within your ministry or within any other ministry doing these kinds of comprehensive audits on a regular basis, an on-the-spot basis. What we were concerned about were stories about some abuse of expenditures within that corporation.

Hon. Mr. Snow: As I recall, there wasn't any real abuse of expenditures. There was some question as to the allocation of expenditures between the different projects. There were certain expenditures that UTDC had allocated, say to the ICTS program, and our auditor said a certain amount of that should go to the light rail vehicle program or to some other function of it.

Mr. Cunningham: There was that assessment, and as well I think there was some talk about some spending practices, some accounting practices, and just the general way in which the administration of that particular facility operated. We're going to have time to get into that in some detail.

Mr. Gilbert: May I just say, further to that, that part of that process requires the internal auditor to sit down with whoever he is auditing. This happens in our own ministry administration. For instance, he sits down with our district engineer and discusses his comments. Quite often a number of comments his staff have put down are sorted out before they reach a final report

coming to me; there's agreement that that is a concern.

What you are suggesting, that all the papers be made public, quite frankly really does give problems to an auditor carrying out his proper function. This is the reason, as I understand it in talking to Norman Scott, why it was excluded from the Provincial Auditor's act, the Audit Act.

Mr. Cunningham: I can appreciate that.

Hon. Mr. Snow: This audit services function, is all the internal audit for the whole ministry. They audit all the contracts, the 150 or so construction contracts we have at all times; the licence issuing offices, the driver examination offices, all the different functions of the ministry are included here.

Mr. Cunningham: That's not what we were after. We wanted to talk specifically about the UTDC. I thought possibly that if the papers were not of a proprietary nature they were not valid or integral to the development process and not technically oriented and recognizing your commitment in point seven of your strategic guidelines, "a demand for government openness and accountability," that possibly we might see those papers. If you feel they are of a proprietary nature and recognizing you're under no obligation to do so, I won't pursue it. I have no further questions.

Mr. Chairman: Is there any further comment under vote 2501 before we go to TATO?

Ms. Bryden: I have a couple of questions. Under the information program, is the ministry joining with the coroner's office getting out the information about the donation of organs or of bodies, which is part of the licence form right now?

Mr. Chairman: Does this have anything to do with the ministry administration program vote 2501?

Ms. Bryden: It comes under information services.

Mr. Chairman: Information services?

Ms. Bryden: The licence form now has form on it in which you can indicate whether you wish to donate either your body or specific organs. I understand there's going to be a change in the form.

Hon. Mr. Snow: I've already signed it. When I'm through with it they can have it.

Mr. Chairman: It's all worn out. They have it anyway.

Ms. Bryden: Is the ministry engaging in sort of a promotional program to encourage people to sign this form—

Mr. Ruston: I'm not going to sign mine.

Ms. Bryden: —and also to clarify the situation as to whether you can donate all your organs or whether you have to specify which ones?

I think people would sign it much more willingly if they knew exactly what happened at death and how important it is that we do get those organs. There are a great many people waiting for kidney transplants and it's costing the province hundreds of thousands of dollars to treat those people by dialysis. There are many other cases, such as the pituitary glands, where we need them to enable kids who have no growth to be able to grow up.

Hon. Mr. Snow: That's something that is of interest to me. It was brought to my attention, Ms. Bryden, just in the last few days—in fact it was just the night before last, one of my constituents called me—that in addition to the normal organ donor certificate that is attached to the licence—and I can't understand why—apparently there has to be a special authority for the pituitary gland. I don't know why the normal donor card would not be sufficient for that.

Mr. Cunningham: The reason for that is that when you sign your licence you do it at an undated time, I believe, and not in the presence of a witness. I think there's some question about the legality of that commitment you make at a certain time and your capacity at the time; and how that might stand up in court.

It may be a red herring, Mr. Minister, but perhaps there should be some reconsideration of that whole process and maybe some provision on the licence for someone to witness that and some date to ensure that it is valid. I don't know if you had any tests in the costs or whether you've had any problems with it, but I gather that is the legal argument.

Hon. Mr. Snow: I've just been advised by some of my staff that the chief coroner's office is considering some changes to the Human Tissue Gift Act and that there may be new wording.

Mr. Gower: The coroner himself is developing new wording. We have agreed that, whenever he decides is appropriate wording in the light of the changes he's proposing, we would incorporate that in the licence form. The licence form is merely a vehicle to effect this promotion of the organ donor campaign. The coroner has taken over complete responsibility for the dissemination and promotion of his program.

Ms. Bryden: What I'm suggesting is that, since we need a great deal more education of

the public on this, would the ministry—in any information they issue on licences—draw this to the attention of people when they're applying for a new licence so that we can spread the word much more widely than the coroner can under his budget?

Hon. Mr. Snow: I'd certainly be prepared to do that when the changes are made. It's not only when a person gets a new licence. Every three years, every time they get their renewal, it's a new form; they have to sign it again or keep the old one with their licence. I would hope it could be done relatively simply.

I'm afraid if you had to have that form sworn by a justice of the peace, say, we would lose a lot of the effectiveness of the program because people wouldn't take the trouble to go and have it witnessed. We're working with the coroner on that at the moment. If a new form comes out, we'll co-operate in every way possible to publicize it.

Ms. Bryden: Thank you, Mr. Minister.

Mr. Watson: If there's any question about the signature not being legal without a witness, can that be covered in the revision of the act? Is that legally possible?

Hon. Mr. Snow: I think that's the kind of thing they're looking at right now.

Ms. Bryden: One other question: Under what vote will the regulation of the transportation of hazardous substances come? Is that under this vote or does it come later?

Mr. Chairman: Under the Ministry of the Environment.

Mr. Wildman: Unfortunately, it isn't.

Hon. Mr. Snow: It would come under vote 2503, safety and regulation program.

Mr. Chairman: All through, Ms. Bryden?

Ms. Bryden: Yes.

Mr. G. I. Miller: In regard to my area, I have a little problem deciding where the boundary is between the London office and the Burlington office in the region of Hal-dimand-Norfolk.

Hon. Mr. Snow: You get a green book every year.

Mr. G. I. Miller: Which green book is that?

Hon. Mr. Snow: In this book you have the different districts, including the London district. It shows a shaded line there as to where the district office is. It starts east of Port Dover and runs up and follows around south of Oakland, south of Scotland, across almost to Norwich, up to Highway 2, back almost to Paris, and so on.

Mr. Wildman: It's quite a district if it covers Scotland and Paris.

[10:30]

Hon. Mr. Snow: It's a big district.

Mr. G. I. Miller: And the city of Nanticoke, I would assume, wouldn't it? That can't be just exactly right; the city of Nanticoke includes a couple of townships that were put together.

Hon. Mr. Snow: Look on page 14 of the book.

Mr. G. I. Miller: It still cuts it in half, doesn't it?

Hon. Mr. Snow: Yes.

Mr. G. I. Miller: I think the city of Nanticoke deals with the London office. The question I wanted to ask is about the overall planning of the area. When the area is split between two offices, doesn't it create some problems? I wonder how that is handled.

Hon. Mr. Snow: What do you mean?

Mr. G. I. Miller: For example, Highway 3 runs from east to west. Is there an overall plan on the development of that road between the two offices, Burlington and London?

Hon. Mr. Snow: They would each be responsible for the portion of Highway 3 within their district. The overall planning is basically done at the regional offices, which are London and Downsview. That happens to be a district boundary and a regional boundary. London district is under southwestern region and Hamilton district is under central region. Highway 2 goes through about 10 different districts. Part of Highway 2 is in Ottawa district, part of it is in Kingston, part of it is in Port Hope, part of it is in Toronto and part of it is in Hamilton.

Mr. G. I. Miller: I suppose Highway 3 would be in the same position.

Hon. Mr. Snow: Part of Highway 3 is in Hamilton, part in London and part in Chatham.

Mr. G. I. Miller: I don't know if this is the proper time or not to discuss the planning of the Highway 3 route.

Hon. Mr. Snow: That would really come under the provincial roads vote, vote 2504, where we'll be dealing with all the provincial highways.

Mr. G. I. Miller: Maybe we could discuss it at that time. I think there is concern, in my opinion, to develop the southern shore of Lake Erie there should be—

Hon. Mr. Snow: You mean the northern shore of Lake Erie. The southern shore down in Pennsylvania and Ohio.

Mr. G. I. Miller: Anyway I think there is a need for development of Highway 3, you are well aware.

Hon. Mr. Snow: Your colleague to the right and I are quite aware of what's going on about Highway 3.

Mr. G. I. Miller: I'm aware of it too.

Hon. Mr. Snow: We've had a few meetings and discussions and visits.

Mr. Haggerty: Very fruitful.

Mr. G. I. Miller: What are the plans for Highway 3?

Hon. Mr. Snow: I would appreciate if you could leave that until we're into that vote when I'll have the appropriate staff here.

Mr. Chairman: We're straying from our original vote. We're on vote 2501.

Hon. Mr. Snow: It's not that we don't want to discuss it but I want to have the appropriate people here to answer the detailed questions.

Mr. G. I. Miller: That's fine. I have one further question. We were discussing the bridges yesterday and the fact that there are 2,500 that were not up to standard in the municipalities. What is the record for provincial bridges? Are there any in need of repair? What number are in bad condition?

Mr. Chairman: That question was answered last night.

Mr. G. I. Miller: Not too clearly, I don't think.

Hon. Mr. Snow: No, not specifically. The 2,500 bridges we were discussing, which have been identified by municipalities in assessment of their bridges, are all municipal bridges. Any bridges that are on provincial highways are not included in that.

We are continually—every year—building new bridges and new structures, and replacing decks and painting bridges. We have a total maintenance program. Certainly to my knowledge, there are not any provincial bridges that are unsafe.

I was up in Atikokan this summer and was over a bridge on which we have since awarded a contract for replacement. It was an unsafe bridge but it had to be replaced because it wasn't capable of carrying anticipated loads, for instance those that will be going into the new Hydro development at Atikokan. That bridge is being replaced.

We call tenders and award contracts for new bridges every year, or for widening and replacing. You may recall the maintenance

we did on the Queen Elizabeth Way last year. I'm sure you all recall the traffic problems there when we had to do deck repairs and expansion joint repairs on the Credit River bridge. It was the same on the Burlington Skyway. We had to do repair work to that bridge. It's done on an ongoing basis.

Mr. G. I. Miller: Specifically on the Caladonia bridge—I don't know if you're aware of that one or not—what condition is it in? Is it an old bridge. It is deteriorating. I know there is a bypass slated for there.

Hon. Mr. Snow: Yes, a bypass is slated to be built. I think we just received the board orders for the railway crossings for that project. We still have received no approval for funds from the urban transportation assistance program for the railway crossings there, but we're probably going to have to go ahead without total provincial funding because we just can't get the money out of the feds.

Mr. Gilbert: On any of our bridges that we feel can't carry the loads, we sign accordingly until we do some work on it. That's basically what is happening in the municipalities as well. Any that can't carry the standard loads are signed according to the safe load they can carry.

Mr. Haggerty: How can it be a standard load when you're increasing the payload all the time? There are bigger trucks with pups on the back of them.

Mr. Gilbert: That's the problem.

Mr. Haggerty: You're creating the problem there. These are the fellows who are knocking hell out of the roads.

Hon. Mr. Snow: We haven't increased the weights for a number of years. All our bridges are developed under the bridge code, which is related to the allowable weights that trucks are carrying.

Mr. Wildman: Did your study on the bridges include not only the structural ability of the bridge to carry a load, but also the whole engineering of the approaches and the safety of approaches to structures? Was that included in the study of the safety of bridges or not?

Hon. Mr. Snow: These were municipal studies, remember, that were carried out.

Mr. Wildman: Yes, I know.

Hon. Mr. Snow: Someone is supposed to be bringing down from Downsview a sample of 10 or a dozen of these studies that we have, just so you can have a look at them. They may not be from your particular area. Also, we're having the computer printout of the total analysis of the studies sent

down, which I understand is about one and a half inches thick. It's being copied this morning.

Mr. Haggerty: I hope they'll bring in one of those copies that relates to O'Reilly's bridge west of Welland.

Hon. Mr. Snow: Supposedly this computer study should have them all on it. There are still a few municipalities that have not yet submitted their studies to us, but the bulk of them have.

Mr. Gilbert: Certainly there would be comments on the approaches if there was something wrong.

Mr. Wildman: If there was a curve coming to a bridge or something like that?

Mr. Gilbert: When you say a curve coming to a bridge, I'm talking about the immediate approaches to a bridge. There would be a comment on that.

Mr. Wildman: Yes, I understand.

Mr. Watson: We seem to be talking about bridges and we are on administration. I wonder if the minister could comment on our relationship with the federal government as it relates to navigable streams and bridges that must open. It seems to me that we in Ontario get taken in building expensive bridges just because there are five sailboats that want to go up some stream that 100 years ago was determined to be a navigable stream.

Hon. Mr. Snow: We have to deal with the federal government on that. If we are building bridges that are on waters designated as a navigable stream, we go back to them. I remember some discussions we had with the city of Chatham regarding the proposed new bridge, the one that's somewhat of a controversial item—at Lacroix Street, is it?

Mr. Watson: Lacroix when you are in Chatham; "Lacraw" if you are some place else, but "Lacroy" in Chatham.

Hon. Mr. Snow: I believe we got approval from the federal government on that bridge—that it did not have to be a bascule bridge providing it was 20 feet or something above the water line. But on any bridge on navigable water, we have to work with the federal government to get their approval as to the design and the height and so on.

Mr. Watson: We have a bridge at a little place called Tupperville, which is on the Sydenham. It was built before I went there 10 years ago. It's a bridge that will turn, but I doubt if the thing has ever been turned since the day it was opened. That's designated a navigable stream but the federal government doesn't choose to dredge

the river or take the logs out. They tell me you can't even get a launch up there now. Yet we have spent the money building this bridge on what is a so-called navigable stream. I think some of these navigable streams should be designated unnavigable or something.

Hon. Mr. Snow: It's certainly a problem. We don't like building these swing or bascule bridges where they are not absolutely necessary, because they are very expensive to maintain and to operate. But if the federal government insists that it has to remain open for navigation, we have no alternative. They are co-operating with us in many areas, I know, but it takes a considerable amount of time in those negotiations with them to get those approvals.

Mr. Watson: In the Chatham situation, when and if the Lacroix Street bridge goes ahead, you are going to immediately cut off two lift bridges—

Hon. Mr. Snow: That are further upstream.

Mr. Watson:—further upstream that most people in Chatham have never seen lifted.

Hon. Mr. Snow: I understand if they ever tried to lift them, they would probably be found to be stuck shut and you couldn't get them up.

Mr. Watson: They lifted them a while ago and one of them got stuck up for a day; it took most of a day to get it down again.

Hon. Mr. Snow: They told me they went to lift one to do something, to bring a crane up or a barge, and it took them three days to get it loose so that the lift—

Mr. Watson: And it took them a day to get it down again too.

Mr. Chairman: I must remind the members of the committee we are wandering away from vote 2501.

Mr. Watson: The chairman is not keeping us on track.

Mr. Chairman: I try to keep you fellows on track but it seems that you are the ones who get your wheels off the track. Mr. Haggerty is next.

Mr. Haggerty: I just have one question. What does it cost the province for the conversion of mileage signs to metric?

Mr. Gilbert: I understand it was estimated at \$50,000. I can find out if the actual cost figure is available, but the estimated cost was around \$50,000. Remember they were just overlays.

Hon. Mr. Snow: All we did was have the appropriate stick-on decals prepared. When the time for the changeover came the crews

went around and stuck these decals over the existing signs. It wasn't a very expensive proposition.

Mr. Haggerty: Rather confusing though, particularly to the tourists coming into Ontario.

Hon. Mr. Snow: I haven't found it confusing, some people may.

Mr. Chairman: Any further questions, Mr. Haggerty? Mr. Yakabuski.

Mr. Yakabuski: Mr. Chairman, this is supplementary; it might be out of order but it's supplementary to what everybody else has been talking about.

Hon. Mr. Snow: That's nothing new for you, Paul.

[10:45]

Mr. Yakabuski: It's about bridges. I'm wondering what started the whole affair about examining and testing all the bridges across the province, municipal and other, to determine what their status was. Was it the ministry that instituted the—

Hon. Mr. Snow: Yes, it was the ministry. I initiated it, after my meeting with the Ontario Good Roads Association at their convention two years ago shortly after I became minister. We approved a special subsidy arrangement—I think it was 75 per cent, 100 per cent in some cases—and the municipalities engaged their consultants. In some case small municipalities went together—three or four or half-a-dozen of them—and engaged a consultant to do an inspection of all the bridges over a 20-foot span in their municipalities and report to the council as to the condition of those bridges, whether the needed maintenance or repair.

What initiated this is the fact that every year a certain number of these bridges have failed. Trucks have gone through them and so on. We were concerned that perhaps municipalities weren't aware of the condition of the bridges within their municipalities. As long as they drive over them and everything stays up, they don't take the time to go down underneath and look at the actual condition.

Some of these bridges are listed as inadequate because of width, with some it's the condition of deck, on others it's the condition of the steel girders that are perhaps 80 or 100 years old and haven't been painted or maintained. The municipalities have co-operated excellently in having these studies carried out. Practically all of the municipalities in the province have their reports in to us now.

The condition is, I might say, approximately what we thought it was. We were concerned that there were a number

bridges that were inadequate. Now I think we've got a much safer situation. Even though there are a lot of bridges needing work, at least the municipalities know that a certain bridge has a bad pier or a bad deck or something and they're able to pass a by-law and post that bridge at five tons, 10 tons, whatever the engineer has recommended.

Mr. Yakabuski: You're satisfied that we're not being over-protective? The reports you have are quite legit?

Ion. Mr. Snow: They're their reports. The municipalities have had the bridges studied. A number of municipalities, as I said last night, have already been in to discuss their problems with us. I remember meeting with one township council—I can't recall the specific township now, but I believe it was down in Mr. Villeneuve's or Mr. Belanger's riding—where two branches of the Nation River run through that township, plus some other creeks. They have two or three bridges on every sideroad. A number of their bridges, four or five, were recommended for replacement. We're working out a five-year program with them where they set the priorities and we will try to fund a program, to the best of our ability, to replace these bridges over a period of years.

Mr. Yakabuski: Two things bother me—not so much now since you've explained—but we all remember that a few years ago we started talking about arenas across the province and suddenly when they're inspected most of them become unsafe. There were those who felt that maybe sometimes the engineer or the consulting firm that made the study was being over-protective. There were those who wondered why all at once all these areas became unsafe. I'm relieved to some extent since your explanation with regard to the bridges.

Ion. Mr. Snow: I recall hearing of some of these reports where a municipality maybe has 25 bridges; in looking through the report, in maybe 15 of those 25 nothing was recommended. Maybe four or five needed some deck repairs or maybe there was some erosion around one of the foundations. It might have needed a few gabions or some rip-rap protection or some sheet piling to protect the bridge for the future.

Others were recommended for replacement because they were totally inadequate. They were probably old one-line steel bridges that are totally inadequate where it wouldn't pay to spend any money to fix them. They should be replaced.

Mr. Yakabuski: You have probably given the estimated figure for the total cost of this program. It is over five years, I understand, is it?

Hon. Mr. Snow: The estimated cost to do the necessary work on the 2,500 deficient bridges is about \$140 million over a period of five years. We are trying to get additional funding to do that as quickly as we can.

Mr. Yakabuski: This is additional funding you are looking for for those?

Hon. Mr. Snow: I can't say that it will be available.

Mr. Yakabuski: This is the thing I was wondering about.

Hon. Mr. Snow: What I have said is that we will have to give a higher priority to bridges than roads if additional funding is available. Ideally, I would like to get additional funding over and above that for our normal road program. There are many bridges replaced every year under the normal road program. This has been an ongoing thing forever, but in order to catch up with these deficient bridges, I would like to be able to get additional funding for the municipalities. In addition to municipal road maintenance and municipal road construction, I would like to have a special line in our budget for the next five years for municipal bridges.

If I can't get additional funding over and above the normal, then I intend to give a higher priority to bridge work than road work. They may have to get by without a little paving or without a little surface treating or something for the next four or five years until they get their bridges in shape.

Mr. Gilbert: On the positive side, I would add that in the upper tier the present funding appears to be adequate to take care of the deficiency. Most of the emphasis has to come in the lower tier, or the small municipalities. But in the upper tier the present funding that is going into bridges appears to be adequate.

Hon. Mr. Snow: It is adequate for the counties and regions, although there are some deficient bridges in the counties and regions.

Mr. Yakabuski: You mentioned a total figure of \$140 million. When you take out what would normally be done, maybe you are looking at \$100 million over five years or \$20 million a year. Is that correct? That is a guesstimate.

Hon. Mr. Snow: It is probably less than that.

Mr. Yakabuski: The only other thing that bothered me is that a lot of municipalities, because of what they must do to bring the bridges up to standard or make them adequate, will be cutting back on other programs—maintenance programs and construction programs—and they are going to have some catching up to do in that area after a while.

Hon. Mr. Snow: It would be nice if both the municipalities and the province had no limit on funding and could fix up all the roads at once, but this isn't possible.

In the 35 or 40 counties and regions in the province, there are 19 bridges in the lower category. I know that one of those is in my own region. It has a two-ton load limit on it right now. It is about five miles from where I live. We haven't had any requests from the region of Halton for additional funding. I don't know what it is. Maybe it is a \$30,000 or \$40,000 structure. I noted in the local paper the other day that the roads public works committee authorized the engineer to design and build a new bridge there. That is part of the ongoing program.

Mr. Chairman: Are you all through, Mr. Yakabuski?

Mr. Yakabuski: For now.

Mr. Chairman: We are on vote 2501. I would like to remind members of the committee. Once we complete this vote, we had agreed last night to go on to the Toronto Area Transit Operating Authority, whose people we have called in this morning. Mr. Reid, two minutes.

Mr. T. P. Reid: I will be very brief. I wonder if the minister could explain to me the reprivatization that is going on or supposedly is going on or is planned for your ministry. Specifically, I'm interested to know if MTC is withdrawing from providing services to municipalities for snowploughing, for that kind of work in municipalities and along municipal highways or roads, and turning this responsibility back to the municipalities, which would require them to get their own equipment and have their own road crews and so on?

Hon. Mr. Snow: We, of course, are maintaining all our provincial highway system, and, of course, we do work on local roads boards' roads with provincial equipment which is charged back to the local roads board. We are not withdrawing from that.

By reprivatization, I think what we're referring to is where we're contracting out work to the private sector rather than doing it in-house. This covers a broad area. We're contracting out more of our design work now as

a percentage, designing new highways, bridges, to private consultants rather than having staff do it. We still are doing a lot in-house designs but we're also having consultants do more. We now have some consultants doing other things.

Mr. T. P. Reid: But as far as the services of snowploughing, grading and that sort of thing goes?

Hon. Mr. Snow: We're contracting sanding, for instance, rather than have our own trucks doing it.

Mr. Gilbert: I think in Mr. Reid's area there are a number of municipalities that do work for. We have always taken the approach that if someone else wanted it, if a municipality could get someone else, certainly we wouldn't do it. There is no charge there. If the municipality still is asking us to do it and there is no private contractor available to do it certainly we will continue in that area.

One other area that I might add to what the minister has said is in our garage repair. Not in every district—for instance, Keweenaw would be an exception, Cochrane and places like that—but in districts such as Toronto, London and Hamilton where there is a lot of expertise available in the private sector it's just not worth our while to staff up and supply it in-house, those kinds of repairs will be turned out to the private sector. In effect we will be cutting down, particularly in some of our districts, the garage staff and contracting on the routine maintenance type of thing that is just not worthwhile.

Mr. T. P. Reid: That pretty well covers what I wanted to know. I was concerned you might be withdrawing these kinds of services and leaving the municipalities at the mercy of the individual operator.

Hon. Mr. Snow: For instance, overhaul diesel engines; rather than trying to do diesel engine overhauls or automatic transmission overhauls in every garage it's far better for us to contract that work out to the mechanics shops that do that kind of stuff.

Mr. Philip: The federal government is going through a phase for a while of contracting out, particularly in terms of consultants on short-term, six months to two-year contracts. Is there much of that being done all by your ministry?

Hon. Mr. Snow: What kind of consultants? I'm not familiar with the federal program.

Mr. Philip: The federal people I was associated with were mainly hiring management consultants and program consultants and things like that.

Hon. Mr. Snow: The consultants I'm referring to are design consultants, consulting engineers. When we have a new bridge to design we take a look at the capacity within the ministry to do that design and then a decision is made as to whether the design will be carried out within the ministry or whether it will be carried out with some of the engineering consulting firms.

Mr. Philip: Have you calculated whether there is a substantial financial saving by doing it this way?

Hon. Mr. Snow: I think we are of the opinion that we should maintain an in-house engineering capability to do a certain level of our engineering, but we should not try to staff up to do 100 per cent of our engineering. Maybe about what—60 or 70 per cent?

[1:00]

Mr. Gilbert: We have been going on 75 per cent. We're trying to drop it.

Hon. Mr. Snow: We're dropping that.

Mr. Gilbert: Actually, I think somewhere around 50 per cent is the correct split. Otherwise, you get into situations where regions have peaks and to move people from one region to another is getting more difficult all the time.

Hon. Mr. Snow: More expensive.

Mr. Gilbert: This is the reason we felt this—

Hon. Mr. Snow: Our work load varies. For instance, a few years ago when it was decided to go ahead with Highway 402 from London to Sarnia, a terrific amount of engineering was involved. London and Chatham districts wouldn't have the necessary staff. They'd have to bring a tremendous amount of staff to do that. To pick up those peaks, we hire outside engineering consultants to design portions of that work.

Mr. Philip: I would take it then that your staff engineers act almost as a supervisory or quality-control staff.

Hon. Mr. Snow: That's a different section. That's not a design section. That's construction. Most of that is done with our own staff.

Mr. Philip: You also need some quality control in terms of engineering design though?

Hon. Mr. Snow: Oh, yes, we have that too. There are design meetings between our staff and outside people. For instance, all the bridges designed by outside consultants have to be in conjunction with the bridge

office in the ministry, to maintain their standards.

Ms. Bryden: I have a supplementary on the bridge problem, although I'm rather surprised that we suddenly discover a lot of bridges now need repair. I would have thought we would have been monitoring these over the years, perhaps doing some of the work when it would have been less costly than it will be now.

If we can get a program going for bridge repair, it could be part of a job-creation program which we badly need and might be a better use of some of the funds at the moment than grandiose schemes like the extension of transit to the CNE. It would create employment right in each municipality and would be bringing bridges up-to-date that badly need it.

My supplementary is at what stage can a member find out which bridges in each municipality are on the list as needing repair? Specifically, if I wanted the information for the municipality of St. Catharines, could I get it right now?

Hon. Mr. Snow: These reports are all available. The municipalities have them. We have them at Downsview. As I've said about five times this morning, I've asked for 10 or a dozen of the reports to be sent down as a sample. I don't know whether St. Catharines will be among them or not. They'll be here this morning.

Also, we have a computer printout that's been taken off all reports, which I understand is a document an inch and a half thick. This is being copied at Downsview now and is being sent down to us here this morning.

Ms. Bryden: So I should be able to get the one for St. Catharines today?

Hon. Mr. Snow: That computer printout would have all the bridges listed on all the reports that have been submitted. Five cities, one borough and 20 townships had not submitted their reports as of a month ago. Some of those may be in now.

Sarnia, Guelph, Hamilton, Brantford, Peterborough and the borough of East York had not submitted their reports at the time this list was compiled.

Ms. Bryden: We'll be seeing the ones that are in then in 24 hours?

Hon. Mr. Snow: I hope a lot before 24 hours.

Mr. Chairman: Any further questions under vote 2501, items 1 to 7?

Mr. Wildman: Would it be in order to ask two or three policy questions under main office?

Hon. Mr. Snow: It should be.

Mr. Wildman: First, in relation to the CRTC hearing in Thunder Bay recently, the ministry appeared at that hearing.

Hon. Mr. Snow: That probably should be handled under the communications vote.

Mr. Wildman: I was going to ask specific questions about that at the communications vote, but I want to ask just a general question: Is it ministry policy, or is a policy change under consideration, to allow for MTC to make funding available for the improvement of television services in the more remote regions of the north?

Hon. Mr. Snow: There is no easy answer to that. They have made a lot of funding available in the remote communities, both in north-eastern and northwestern Ontario, to extend communications facilities into those communities. Last fall Mr. Gilbert and I made a tour through the north, as we do about every two years. We opened the new communications facilities at Fort Albany, Kashechewan, and Attawapiskat, the new microwave line which was funded mainly by the provincial government, and we were in Father Pepin's home in Fort Albany watching cartoons on his colour television set with reception as good as you would get here in Toronto. In fact, the chief advised us that he had three television sets in his home.

Mr. Wildman: I wish I did.

Hon. Mr. Snow: That has mainly been funded in northwestern Ontario through Bell, again a shared program between Bell and the ministry, and we have funded communications facilities into those communities. On that same microwave system, CBC has put its signal in there. So that kind of funding has been made available, plus there have been ODC loans to different companies to expand their transmitting facilities in the north.

Mr. Wildman: A couple of grants too.

Hon. Mr. Snow: We are looking at this very seriously now, wanting to get a better quality signal and a better variety of signals into the closer-in communities, not the remote communities, necessarily. The whole northwestern Ontario thing is under study now with federal hearings. We are making presentations there. When we get to the communications vote we will have Mr. Hobbs here. He can answer any technical questions you have.

I have discussed this with the Ministry of Northern Affairs. We don't have any particular money in our votes here for subsidizing improved signals into northeastern and northwestern Ontario. If it is found that there has

to be some type of government funding get those signals in there, then it would probably not be within my ministry's vote it would more likely be a regional priority grant through Northern Affairs. We would probably administer it because it is within our expertise.

One thing I would mention, in this whole vote 2501, included in our costs here are the administrative costs for the Ministry of Northern Affairs as well. My ministry carry out all the administrative procedures in Northern Affairs, such as financial control, audit, I believe, personnel services, legal services. They don't have those in their ministry. We supply them here much more economically than they could set up their own staff.

Mr. Wildman: The other two short questions on policy relate to the highway. Recently a meeting was held in Sault Ste. Marie of officials of the regional office in Thunder Bay and the district office and, I think, representatives of the Ministry of Housing, Natural Resources and a couple of planning boards, to discuss how you deal with the problem of a road that has been designated as a controlled access highway, I suppose at some future date there is going to be an expansion to four lanes. I am talking specifically about Highway 17 north, and Highway 17 east, where there is an action program for expansion to four lanes, but some future date there will probably be a four-lane highway established and so there has been a control put on access of various types. I can fully understand that.

The reason for the meeting, though, was the difficulty that people experience in the interim—because, of course, if it's some time in the future when you are going to build a four-lane highway and at that time you need to establish, depending on the traffic volume and so on, access roads—but in the interim it's difficult to get access to the highway and yet there are no other roads that could ease the residential and commercial accesses and then funnel them into one access to the highway.

There was a meeting and I understand there's some kind of movement on the part of the ministry to find a compromise for that that can be done. I wonder if you could expand on that for me?

Hon. Mr. Snow: I am sure Mr. Gilbert expanded in more detail, but we have categorized the provincial highway system into about five classes of highways. There's totally controlled access freeway. There's staged freeway, and I presume the roads we are talking about would fall into that category.

ory, where it is to be a freeway at some time in the future but is not at the present time. There's a class three, where certain number of accesses would be allowed under certain conditions. With the others, the class four and five, we mainly look at access permits there related to safety; we are not concerned about stopping people from having access or building a home but we don't want an entrance coming out right on a corner where it's going to be a safety hazard. It's not an easy thing to administer, but I have got to say on these staged freeways, we have to be what may look like very tough and inconsiderate to people at this time, but in the long range we hope to protect that right of way.

In certain situations where we know that the future freeway will be on new alignment, then we are not as concerned if it does build up with a few more accesses, if we know that somewhere down the line the improvement will be on a new alignment. If we know or feel pretty confident the improvement is going to be on that present alignment, then there's no use letting a whole lot of entrances, houses and businesses get built up there that will have to be cut off or blighted out or torn down at public expense for 10 years down the road. We are trying to co-operate.

I know we had meetings when Mr. Rhodes was Minister of Housing. He was concerned about this in your area and felt we were being too tough in granting accesses, especially on the secondary highways. We developed this new policy which the Ministry of Housing was involved with us on. It was all agreed to. It has been sent out to our districts and regions now and they are operating under that policy.

Mr. Gilbert: I was just going to say I am aware of this particular problem and I must say as far as this individual case, I don't have a much sympathy as I have in others, because as you know this individual built knowledge full well that he had this problem. He built a ready-mix plant or something else like that and then he decided to sell and separate it, of course, he still had the problem with access. He was using the one. However that doesn't get away from the fact that—

Mr. Wildman: I was asking a general question.

Mr. Gilbert: —it is a problem and this is why I asked the regional director to get together with Housing and take a look at several accesses, whether it's every half mile or something else like that. As the minister says, in the future we certainly have to be in a position to build an overhead or to take care

of development in these areas and service it through a service road. We were making the suggestion, in looking at it with the regional director, that maybe one of the conditions would be that they would designate sufficient land for a service road as part of the agreement with the Ministry of Housing to get a severance.

[11:15]

Hon. Mr. Snow: As long as setbacks are controlled properly. If things are set back far enough, you can build service roads. Look at the problem we have on Highway 11 between Barrie and Orillia. I think we have come up with a good solution there that is working well. In fact, I met with Oro township yesterday and with Orillia township two or three weeks ago on certain problems. They are quite happy with the improvement.

We have one section completed there with the barrier in the middle. The township is very happy and the Oro clerk said last night at a meeting we had that he hasn't registered one death since that barrier was put up on that section of highway. He said before we made those improvements he was registering deaths every weekend practically.

We are doing the best we can in the situation because there is no land there to put in a fully controlled access and to put in service roads. You would be buying out the homes and the businesses on both sides of the road. If some development is taking place, if the land is dedicated for a future service road and if the development is placed far enough back so that it can be dealt with in the future by building a service road, then that is not so bad.

Mr. Wildman: I understand in the areas where you have the highway going through an unorganized municipality, that is, where you don't have a municipality, there is some question about who should own the land that is being used for the service road and who should control it and be in charge of the maintenance and so on.

Mr. Gilbert: That's right. That's why we are involving the other ministries because that is certainly an issue that we have to address.

Mr. Wildman: Has the suggestion been made that somehow it should be purchased by the Ministry of Government Services and then turned over to the Ministry of Natural Resources or something?

Mr. Gilbert: I think in some cases they are acquiring the land as crown land, and so perhaps as part of that transaction it could remain with the crown directly through MNR. These are the kinds of problems we get.

That's the reason I asked Mr. Neilpovitz to chair a meeting up there to see if we can come up with a policy that we can take to the minister and get approval for. It isn't only north of the Sault. We have this problem in other parts of northwestern Ontario.

Mr. Wildman: You have it east of the Sault too.

Mr. Gilbert: Thunder Bay has this problem as well.

Mr. Wildman: I appreciate that and I really want to express my appreciation to Mr. Neilpovitz, and to you, Mr. Gilbert, for the co-operation in dealing with that. I hope you can have as fruitful a meeting over the question of drainage east of the Garden River Reserve as well.

Mr. Gilbert: That has been going on a long while. It was there when I was up there.

Mr. Philip: I have two questions on policy that I would like to discuss. One concerns the attitude of the minister toward the transportation of goods. The other is about the policy area on the transportation of people.

The minister has made a number of statements that were reported back to myself and, I am sure, to Mr. Cunningham. I am never quite sure whether they are policy statements or whether they are the minister's musings, as Trudeau would say.

Hon. Mr. Snow: Please don't compare me with Mr. Trudeau.

Mr. Philip: The kind of statements, particularly in the area of the transportation of goods, that have come back are such statements as: "I have run a construction company very adequately without any protection and without any regulation or with limited regulation. Why should you guys want this kind of protection?" Now, I don't know whether I have misquoted you but that is the thrust. I think Mr. Cunningham would tell you that he has had trucking company executives probably give him similar statements reported to be from the minister.

I am wondering, quite frankly, if that is simply your personal opinion. Do you not see a significant difference between running any other business and running what amounts to a major and almost a public necessity, almost identical to a utility really and something on which all the economic forces are dependent, and running a construction company that may cause some problems and some real concerns if it goes into bankruptcy at a local level or if it makes an excessive profit? Do you not see a major difference? If it's simply that you are talking out loud, or off the cuff, or with tongue in cheek, that's fine,

but if you don't see that difference I am quite concerned.

Secondly, we are getting all kinds of different messages out of your cabinet toward regulation versus deregulation. Is there really kind of a gut thrust within your ministry toward deregulation, or is Bill 78 just a unfortunate accident that will hopefully go away and we won't see again?

Hon. Mr. Snow: There's certainly a definite thrust within the government and within my ministry to try to eliminate as much red tape and unnecessary paperwork and delays and nuisance for the private sector as we possibly can. That's not only in my ministry, that's across the government. That's a cabinet decision, that every minister should be reviewing regulations and procedures within the ministry, reviewing procedures that were set up 20 years ago or 30 years ago to deal with a particular situation that is perhaps not necessary to carry that on today.

Some people may refer to that as deregulation. I refer to the former Minister of Natural Resources in a regulation in his provincial parks program where it says you have a dog in a provincial park it must be on a leash and the leash shall not be more than 60 inches long.

Mr. Philip: You know that both I and the Ontario Trucking Association are not referring to that kind of thing as deregulation.

Hon. Mr. Snow: I realize that.

Mr. Philip: We are quite happy to get rid of nuisance bureaucratic holdups.

Hon. Mr. Snow: I fully admit that I have drawn the analogy, the comparison to my own experience in the construction business. When I go out and pay \$50,000 for a bulldozer, or \$100,000 for a shovel to move dirt or to do grading or what not, and I may also have some dump trucks or what not. I don't see the great difference. When I buy that bulldozer, I can't object to or stop my next-door neighbour or the fellow across the street from buying one and competing with me.

I can draw some comparison to that by going out and buying a truck as well, but to clarify any misinterpretation, it has never been my consideration or the government's consideration to totally or in any major way deregulate the excellent trucking industry we have in the province of Ontario. We think it is not necessary to regulate certain commodities to the degree they are regulated now.

Mr. Cunningham: I think we should understand this distinction: when you use the

comparison of a construction business and your business or a bulldozing business to the regulated trucking industry, you are under obligation to bid on a contract or to undertake to serve anybody in your particular area. That's integral to the licence, the certificate that an individual has as granted by the board, and you are required to serve that area. If you are not serving the area, then you can and you should be kicked up to the board and show necessity as to why you should maintain your licence, which is a privilege.

Nobody has ever suggested, neither the select committee nor any opposition member that I know of, or the industry, that they should be set from cradle to grave by virtue of getting their licence to operate. In fact, I think if you would look at the operating profits of most of the companies, you would see that, in fact, the industry is extremely competitive and the profits are very modest indeed.

Hon. Mr. Snow: I think I know as many millionaires in the trucking industry as in the construction industry.

Mr. Cunningham: I was going to say something and I won't.

Hon. Mr. Snow: Don't let me stop you.

Mr. Cunningham: I don't think we have to have a tag day for the industry but I think it should be realized that it's a very competitive industry. With some changes at the board that at least the opposition parties would endorse, and some policy direction from your ministry, the industry as it currently is will continue to serve the public—that's the object of the exercise. Their rates are generally competitive. What I fear is that—and I think Mr. Philip has articulated this as well, especially last night—you have some people within the ministry and other ministries—maybe one minister who is now retired—who would prefer to see deregulation, not selective deregulation but unmitigated deregulation. I want to say to you we could get into a great argument as to the merits of—

Hon. Mr. Snow: I don't agree with that policy. That is not my policy—total deregulation.

Mr. Cunningham: If we had passed Bill 2 as it was, we would have deregulated and presented ourselves with a great number of environmental problems alone—just on the matter of handling waste. It's not a matter of control of entry necessarily on the sector of business, but control of their activities. That's one of the key things in the area of regulations; that's one of the

reasons why I would like to see tow trucks regulated so you can control them, so you've got something you can take away. You give them the privilege and you tell them—

Mr. Philip: I didn't know we agreed on that. That's great.

Mr. Cunningham: I certainly mentioned it during our select committee hearings and I was somewhat vituperative about it. Those are areas that are of concern to us. Once you set that privilege up and say, "These are the rules and regulations; you will abide by them or we will take away your licence to make money," you will find there's an element of compliance. The same thing with household goods; the same thing with almost any other commodity.

The other problem is if you were inclined to deregulate I think very quickly the competitive nature of the industry that we see today—and it can become even more competitive in the future—the competitive nature of the industry will decline. Very quickly you would have the large operators running over routes that heretofore had been served by smaller carriers, the C and D carriers. Larger operators will get larger, the smaller operators may very quickly vanish, and thereafter I would suggest that you will see some predatory pricing and that will in no way serve the people of Ontario.

This is pretty basic to a number of us that have involved ourselves in a study of regulations. I'm sorry I've gone on too long here, but I want you to understand this—we go through this every year at estimates time and periodically on other occasions we talk about the regulatory process and the operation of the Ontario Highway Transport Board. Invariably Mr. Philip and myself and others and people in the industry come to the conclusion that you are not articulating the policies with regard to what is acceptable, what are your guidelines for applications, what factors will be considered before the highway transport board. As far as I am concerned, you are not articulating whether it's Canadian ownership, whether it's diversified ownership, whether it's profit-sharing plans within a company, whether it's conservation of energy, whether it's competition. Those policies are just not articulated. They leave the applicant and people who have existing licences who might go for more, they leave the industry, in a great cloud, a great confusion as to what is acceptable there and what is not.

The conduct and the practice of the board further complicates that situation. Right now, one year after we've made comments about our concerns about the board, two years after

the tabling of an interim report and a year and a half after the tabling of our final report on this, a very comprehensive report, we see no real improvement.

What I would hope, Mr. Minister, is that through the House, or in speeches, through the tabling of a policy document, for want of anything else, that somehow you personally lay down what the government's policies and priorities are with regard to applications at that board. Failure to do so will, in my view, continue to undermine the operation of that board, it will continue to present some confusion for applicants. In no way will it enhance the competitive nature of transportation in Ontario.

[11:30]

I'll leave that with you, sir. I just think that articulation of that policy is going to be vital especially in this next year because in this last couple of years you haven't done it.

Hon. Mr. Snow: Certainly, it's my full intention to transmit government policy to the board, but I need a change in legislation to do that. We will hopefully get that.

Mr. Cunningham: Frankly, I don't believe that you do.

Hon. Mr. Snow: I listened to you so will you listen to me for a moment? Go ahead.

Mr. Cunningham: Quite frankly, sir, I don't believe that you do. You're the minister. You articulate policies and your chairman of the board operates under those guidelines, notwithstanding any case that may be before him or her. If they don't like it then you get a new chairman.

Hon. Mr. Snow: Let's recall the changes that were made to the Public Vehicles Act, a brief bill that I put through last spring which provided for government policy to be transmitted by order in council to the board. That legislation was passed last spring. The first group of policy guidelines—no doubt there will be more to follow—have been prepared by myself, recommended to my colleagues in cabinet, the order in council has been passed and those guidelines have been transmitted to the board. I intend to do the same in the trucking industry.

Mr. Cunningham: If you were inclined, sir, to get up in the Legislature and say that from this day forth the concept of energy conservation will be basic to the operation of the board and that applications that indicate they will enhance the conservation of energy—just for an analogy maybe interlining of C licences with an application there, things like that—that you indicated in the House, you made a statement, that would

be the law of the land. You're the Minister of Transportation and Communication. You're the guy who runs this place. If you said that quite clearly the chairman and his fellow commissioners would have to be aware of that as government policy then from this day forth every day, until we're told otherwise, that it is a major factor in consideration of cases before our boards.

Likewise, if you stood up and said that Canadian ownership—I'm just using that hypothetically, it doesn't necessarily have to be a panacea—but, say, for example, Canadian ownership is going to be very vital in the operation of your board and in the granting of licences and we want you to take those matters into consideration, that would be the law of the land. You don't have to come before Parliament.

Mr. Chairman: Mr. Philip and Mr. Cunningham, you've both wandered way off the thing.

Mr. Cunningham: Like hell we have.

Mr. Chairman: We're on the administration program. If you want to discuss that we've already made arrangements to discuss it starting next Tuesday. We also have vote 2503 which is the safety and regulation program. This comes under this vote.

I'd like to remind you that we also have the Toronto Area Transit Operating Authority people here this morning. We've agreed to wind up vote 2501 and then go on to 2505 in order to accommodate the people here who have come in this morning for the rest of the day. If you want to discuss vote 2503 we should leave it until the vote comes up, but we've run way off here. We're not on the administration program at all.

Mr. Cunningham: I'm not going to overwork my case.

Mr. Philip: Surely, under administration in the first vote, policy then is one of the considerations. If Mr. Cunningham is correct of order right now then I was certainly correct of order last night because I dealt with last night.

Mr. Cunningham: That's right.

Mr. Chairman: But you had your opening remarks as a critic for the NDP which you entitled to when we first start the estimates. Then, in an orderly fashion, we're to start with the votes. We're to start on vote 2501 and we agreed to go on 2501 and then go on to 2505.

Mr. Philip: And we're on 2501 at the moment.

Mr. Chairman: Now we've wandered all over the ground to 2503 for the last three-quarters of an hour.

Mr. Philip: I'm sorry, Mr. Chairman, but under the general heading of policy we have to understand what the philosophical and policy thrust is of the ministry. My question was clearly on that topic and I submit that I had simply asked the first part of the question. The minister was in the process of giving what I thought was a very interesting answer concerning some possible legislation dealing with policy and, somehow, in the process he got cut off, or what have you. I'd like to hear the end of his answer and I'd like to continue the second part of my question.

Mr. Chairman: As I say, we're not getting anywhere this morning because what you were discussing was Bill 22 and Bill 78, is that it?

Mr. Cunningham: Bills 21 and 78.

Mr. Chairman: Bill 21 and Bill 78 and that comes under the regulation program, which is vote 2503.

Mr. Cunningham: Mr. Chairman, I don't want to go on in great detail on this. I think I've made my point. The minister knows my point of view and I guess he knows Mr. Philip's point of view, and maybe we can consider this at some later date. If Mr. Philip wants to go on right now I have no objection, but I would say this to you, this is a matter of policy and I believe the discussion is in order on this vote. Actually, it's a matter of lack of policy.

Mr. Chairman: You're relating to regulation of the movement of people and goods for compensation on the public road system. If you refer to vote 2503 that's precisely what it covers. This is what you've been talking about so far for the last three-quarters of an hour and it does not come under the ministry administration program.

Mr. Philip: Far be it from me, as one chairman to another to pass judgement on the way to handle estimates, but I've always felt, and my experience as a chairman tells me that some laxity on the first vote usually allows members of a committee to come to grips and understand in a kind of Gestalt sort of way where they're going. I think the most important area then is to understand how the minister feels about a particular area, because then you know what kinds of relevant questions you can ask that may solicit the kinds of advances, if you want, the kinds of thrust that you can later use in working with him and in co-operating with him to get the kinds of legislation that all of

us want out of the House. I'm willing to go on to the vote if I can hear the rest of the minister's answer, and I'll drop my second question.

Mr. Chairman: Very well.

Hon. Mr. Snow: What part didn't I answer?

Mr. Philip: You were talking about new legislation that was possibly coming in, that you were preparing in the policy area.

Hon. Mr. Snow: I don't think I recall that. I used the example of the authority that was given under the amendment to the Public Vehicles Act to officially transmit government policy to the board by way of order in council. If I want to create a policy for the transportation of people or goods in the province I work out my recommended policy guidelines, I take them to my cabinet colleagues, an order in council is passed and that is officially transmitted to the board. The chairman and the board are then obligated to operate under those policy guidelines. This I have now done under the Public Vehicles Act. I'm not saying it's perfect and I'm not saying it goes far enough.

I did, in my statement following the Greyhound-Gray Coach appeal, basically outline somewhat similar guidelines in that statement that I intended to transmit to the board when the legislation was passed. The legislation has been passed. Those guidelines, with some minor modifications, have now been transmitted. In Bill 78, the same provision is in that bill. We are in the process of working on the guidelines for the trucking industry that will be transmitted in the same way.

Supposedly, yes, if I was totally satisfied that we had gone far enough and we were complete with those guidelines then I suppose I could make a policy statement in the House that these are the guidelines that I intend to transmit when the legislation is there. That might, I agree, be a guide then to the board, although it would not be as official as I would like it to be. I agree that the government should establish policy and the administrative tribunal or board should then operate within that policy. I don't think the board, whether it's the Ontario Highway Transport Board or the CTC in Ottawa—and I would point out that in new legislation coming up in Ottawa, the new communications act does exactly that. Madame Sauvé hasn't got that through yet either. That new communications act in Ottawa will allow her as the Minister of Communications for the federal government to establish policy officially and transmit it to the CRTC. The CRTC is making the policy and it should be the elected

body that makes the policy and the administrative body should administer that policy within those guidelines.

I agree very much with Mr. Cunningham that our policy will deal with the energy situation and will make that a criterion. The elimination as much as possible of empty backhauls, which is really part of the energy thing, will be a part of our criteria. The other example that's been used of foreign ownership, or Canadian ownership as it may be, is perhaps a little more difficult to deal with because there are other bodies involved, such as FIRA and so on.

Another area that is of concern to me is to some degree—of course, keeping competition—fleet size perhaps. I don't intend to have any guideline that would limit any company from legitimate expansion, but my own personal philosophy—and I don't know whether this will be the philosophy that will be approved by the cabinet—is that the smaller operators should be given a better crack at being able to compete. Because a small operator—and I don't know how we put this in the guidelines—applies for a licence and 10 of the big operators are there opposing, I don't think that's the criterion, that because there are 10 people opposing should be a criterion for turning down the guy's application.

Mr. Philip: One of the criteria you didn't mention was the economic climate. Would you agree that perhaps one of the benchmarks or criteria that could be used in judging cases is the particular state of the economy at that time? In other words, I think that research in other countries shows that if expansion takes place in the industry during an upswing in the economy it seems to have less effect on those already in the industry than in a downswing. Would it make some sense to have that as one of the criteria that the board would use?

Hon. Mr. Snow: I can't recall the wording, but to some degree we put that criterion in the guidelines on the bus lines.

Mr. Philip: I don't recall it.

Hon. Mr. Snow: It was the ability and the style of operation, the style of service being offered being compatible with the needs, or something. Maybe it's not a complete analogy, but certainly when the economy is on the upswing and there are more goods moving, the granting of another licence at that time is not going to have the detrimental effect on the existing carriers it would if the volume of goods was on the decline. Then the granting of a new licence would obviously have more effect.

On the other hand, there's the growth in the economy of the country generally and the

amount of goods being moved by the trucking mode has been growing tremendously over the years. Obviously, new licences have to be granted. You've also got to take into consideration one statistic that always keeps coming out, "Well, so many new licences were granted last year," or the year before or over the past 10 years.

To offset that, you may have to consider the licences that have disappeared as well by amalgamations, smaller companies being bought up by the larger companies. You're creating more competition perhaps. Consciously the board is creating more competition by granting another licence to an operator on a particular route or to haul a particular commodity, but the next day some company may buy up another company that has that licence so immediately the new competition that you've created has disappeared. When a company is bought up, then there has to be an application to the board for the transfer of that licence or the transfer of the shares in that company, so the board does have a crack at it there as well.

[11:45]

Mr. Philip: One rather distinguished counsel—whom I am sure you would be aware of—but I don't want to quote him—says that the general policy thrust should be easy access and rigid enforcement. That's quite different from what we seem to have, which is certainly not very rigid enforcement lately, but I wonder if you could comment on that.

Hon. Mr. Snow: We need to improve enforcement. We need some new guidelines and some new authorities. A lot of that is included in Bill 78. We need that very badly but we haven't got it.

Mr. Philip: We will talk about Bill 78 again.

Vote 2501 agreed to.

Mr. Chairman: Thank you very much. As agreed last night, we will now refer to vote 2505, the provincial transit program, and we have this morning the gentlemen from the Toronto Area Transit Operating Authority.

On vote 2505, provincial transit program

Hon. Mr. Snow: Thank you, Mr. Chairman. I don't have any specific opening remarks on this vote. I am sure all the members of the committee are familiar with the operation of TATO. Mr. McNab and Mr. Leach and some of their officials are here and I am sure they are well known to the committee. The estimates I think are quite straightforward and the information books that have been given to the critics and the members of the committee show the breakdown of the estimates, the two main items.

Of course, item 1 is the capital construction program of \$33 million odd. That is broken down on page 52 of the supplementary book. The operating budget of \$18 million is on page 53 and is, of course, the statement of operation of the system less the revenues collected. I would be prepared to answer any questions, as well as Mr. McNab and his officials.

Mr. Cunningham: Mr. Chairman, it's a pleasure to see Mr. McNab back. He's one of the most dedicated civil servants the province has seen and I don't mean that in any gratuitous way. I guess it's probably with that in mind that, with few exceptions, this particular operation runs very well. I would like to compliment Mr. McNab and his people for the efforts they made especially in this last season with all the bad weather we had. It probably wasn't a very easy job to see that our facilities operated as regularly as possible with such little inconvenience to the users.

I am pleased that it looks like the interest, especially in GO, is increasing and at the same time you have added your bilevel rail cars. I am told Don Deacon made the suggestion about the bilevels. I am not certain that's historically correct or not, but it looks like the bilevel experience is going to be a successful one.

I have several questions I would like to ask. Two of them involve terminals in Ontario's two biggest cities. I would like to know just when the improvements will be made to Union Station, generally how much money we are looking at and, again, with a view to looking at disruption, what kind of disruption we will see when those improvements are contemplated as to Union Station.

Hon. Mr. Snow: The improvements to Union Station are under way now, as I'm sure you're aware. Regretfully, they're at least a year or more behind the time we had hoped to have them under way. You know the history of that, the long negotiations we had with the federal government, with the railways and with the Toronto Terminals Railway Company, which is owned by the two railways.

The federal government finally advised us about a year ago that it definitely was not going to join us in these improvements, that we would deal with improvements it needs for the future for Via Rail or whatever, but anything we wanted to do for improvements in our GO operation would be our responsibility totally.

Then we took the bull by the horns and went ahead with our plans. We cut out the extra work that would be related to the inter-

city rail because that was not part of our responsibility. We have gone ahead with a program that will cost \$38.9 million. Two contracts have been awarded, one to Bird Construction Company for some demolition and site preparation of \$79,000 and Eastern Construction Company Limited for \$3.6 million.

The overall work will be carried out over a period of four years. I can't guarantee there won't be any inconvenience; it's pretty hard to carry out construction work and alterations, whether it's on the Union Station terminal or on a highway or anywhere else. That work is under way. We're committed to it and it will be proceeding. Most of the work will be done in 1979-80 and 1980-81.

Mr. Cunningham: I wonder if I could direct your attention to the Hamilton terminal. What's the future of that? You've been involved in a study on that, have you not?

Hon. Mr. Snow: Are you referring to the rail terminal or the bus terminal?

Mr. Cunningham: The rail terminal.

Hon. Mr. Snow: I'll have to ask Mr. McNab. I don't think there's much. There are no plans at this moment.

Mr. McNab: There's no progress to date on that. There was a proposal at one stage of the game that we would use the TH and B station. This had certain setbacks. The whole question of increased train service into Hamilton is in doubt. We're working with Via at the present time, attempting to get them to accept GO Transit tickets on their train, which, in effect, would provide us with three trains into Hamilton.

We've stepped up, as much as possible, our excellent direct service between Toronto and Hamilton and also with the train meet at Oakville.

I would add that in so far as Union Station is concerned the work on the terminal will be over a period of three to four years, but that includes the rail corridors as well as the station building itself. The major part of the improvements to the station building will be completed by the summer of 1979, whereby we will have practically an exclusive terminal for GO passengers, a much improved platform situation, where we'll have the rights to four tracks and widened platforms. The final link in that will come when the TTC develops its program for the expansion of the Union Station subway station. I believe that has been set back a year, but I think it's to be completed in 1980. It will then largely look after the handling of

passengers from the trains into the stations and on their way.

Mr. Philip: Is the delay the reason for the higher cost that you have budgeted? I believe the original cost for the Union Station expansion was, what, about \$3 million less?

Hon. Mr. Snow: The original cost was around \$60 million.

Mr. McNab: We've had to cut back, sir.

Hon. Mr. Snow: The program we developed for Union Station and the corridor was to cost \$58 million. This was the proposal we put forward to the federal government, this \$58-million program that was to be shared. When the federal government withdrew and said it would not participate, then we cut the program back to our own needs only, which has a cost of \$38.9 million. That \$38.9 million is more than we had originally anticipated putting into the \$58-million proposal. We had figured more like about \$30 million as our share but, because there is no federal contribution, the overall cost is more than we had hoped to contribute. That's why the Ontario cost is more than what I might have discussed with you last year. It's because we're going it alone.

Mr. McNab: We are quite confident, in the terminal and corridor program, that we will come in under the \$38-million budget. There's every indication of that now with the way our contracts are going.

Mr. Cunningham: Mr. McNab, I don't want to be parochial because I come from Hamilton, but we've had a lot of announcements—and they don't normally come from you—and some promises, which sometimes coincide with elections. I'm wondering, what is the basis of the delay for the extension of full services into Hamilton? The minister has said that Hamilton is the worst possible place to put in rail service, and there are some geographic problems there, but what is the basis of your difficulties in extending full service? Is that the basis of the problem?

Hon. Mr. Snow: Money is the main problem.

Mr. McNab: Money is the main problem. It would be very costly, as we have pointed out in years gone by. The capital cost of the improvement of the plant that the railways would insist on—and I think quite legitimately so—would be \$35 million to \$40 million for full service.

Compounding that, of course, is the economics of the situation. Say all kinds of money was available. Hamilton is beyond what you would consider commuting dis-

tance for any large volume of people. The passenger-carrying expectancy is far less than you can justify, even under ideal conditions, for dragging all that steel and those trains, which only can be justified if you can get large numbers of people. It would suggest we could handle it much more economically, with minimum inconvenience to the people, through a train-bus connection or the express bus into Metrolinx Toronto and the reverse. The economics just don't add up. We have continually increased the number of trains and buses—the options people have for transfer.

I would say it's basically a matter of economics and an impossibility to justify not only the capital expenditure but also the tremendous operating expenditure that is imposed on the train service west of Oakville.

Hon. Mr. Snow: I know a great many people have a belief that rail is a cheap and more energy-efficient way of carrying passengers, but you have to take a great many things into consideration. Really, the diesel bus is in most cases, especially on the lighter volumes, a much more efficient and almost equally as comfortable way of handling passengers as is the train.

[12:00]

Mr. McNab: Out of Hamilton we're carrying a total of something under 100 passengers a day with the two trains. Granted there would be some minor increase if we had a wider selection. But in the total number of people we're carrying in all our buses—I stand to be corrected here; I'm just talking from memory, and it's still reasonably good—we're talking about 3,000 to 4,000 people a day. Those include a lot of people who wouldn't take the train because of the connections they might want to make. We get three times that, or at least two times that, from the Oakville and Clarkson stations that we could ever get from Hamilton.

Mr. Philip: Which of your lines is expanding the most in terms of passenger increase?

Mr. McNab: They vary somewhat. I have some figures which indicate that in October as a result of our bilevels, we have shown an increase of around 15 or 16 per cent over the similar period last year on the Lakeshore line. A lot of that has come about as a result of the bilevel fleet. More people can sit in the cars, and they're attracted because they have attracted new passengers.

Hon. Mr. Snow: They are also comfortable and quiet.

Mr. McNab: We have also had quite a phenomenal growth on the Richmond Hill line, which we opened recently.

Hon. Mr. Snow: As a percentage figure, that growth would be high. As a number of passengers, it's not.

Mr. McNab: No, but it's more than meeting our expectations in a growing system.

Mr. Philip: There's considerably more development going in there, so you can expect an increase.

Hon. Mr. Snow: The trains are ideal for the peak periods. The trains are very expensive to carry passengers in the off-peak periods.

Mr. Cunningham: Mr. McNab, if the Minister of Consumer and Commercial Relations (Mr. Drea) allows it, are you going to put them on your trains and buses?

An hon. member: Just for the drivers.

Mr. McNab: I know quite a few customers—I'd probably ride the trains more often myself under those circumstances.

Hon. Mr. Snow: Only to the football games.

Mr. McNab: We might have a little problem in crush loadings as we do have on our peak-hour trains.

Mr. Cunningham: What about the buses?

Mr. McNab: To complete my answer to you about our passenger increases, the bus loadings have levelled off a bit because a lot of the services have been in there for some time, but even there we're having increases of five to eight per cent a year, which is very significant.

Mr. Chairman: Any more questions, Mr. Cunningham?

Mr. Cunningham: I just have one or two more. Are you looking at plans for an extension to Orangeville at the moment?

Mr. McNab: I would just point out—and I'm not copping out here—the authority's responsibility is to operate the lines that are determined by the ministry planners. They have studied the Orangeville situation, and maybe Mr. Gilbert would be in a better position to answer. If we were told to operate it, we would operate it, but not economically.

Mr. Gilbert: No, we don't have any present plans to extend to Orangeville.

Mr. Cunningham: That's the extent of my questioning at the moment, Mr. Chairman.

Mr. Yakabuski: I heard the minister say, "Are you discussing"—

Hon. Mr. Snow: We're not running to the prior!

Mr. Yakabuski: I heard the minister say, "Are you discussing the rail or the bus terminal?" I wanted to talk about the bus terminal downtown, that rat hole that Gray Coach operates out of. I understand Greyhound offered a few years ago to build a brand-new terminal in this city worth about \$10 million, and I understand now—correct me if I'm wrong—that Gray Coach are talking about building a terminal now, which is long overdue, and they're looking for a handout.

Hon. Mr. Snow: I am glad to answer your question, Paul, but I don't see how it comes under the Toronto Area Transit Operating Authority. TATO is involved in terminals in its operating area and it does have one terminal downtown which I guess is leased from Gray Coach.

Mr. McNab: We lease some of the facilities there.

Hon. Mr. Snow: But you have your own terminal separate from the rat hole?

Mr. McNab: Yes, that's right. Ours is the nice one.

Mr. Yakabuski: I thought perhaps on this contract or this agreement that you had with Gray Coach that they were coming into that terminal.

Hon. Mr. Snow: No, there are two terminals down there in the same general area. One terminal is used totally by TATO.

Mr. McNab: The Elizabeth Street terminal.

Hon. Mr. Snow: The other terminal is used by Greyhound, Gray Coach, Voyageur and so on.

I am doing everything I can to encourage the construction of a new central intercity terminal in downtown Toronto. We all agree that a new bus terminal is required. I have met with representatives of the different companies, some of them separately and some of them jointly at times, and I have encouraged Voyageur, Greyhound, Gray Coach and so on to get together to form their own company of some kind and jointly build an adequate terminal to serve Metropolitan Toronto. They are working on that right now, and I understand they have engaged some consultants.

Yes, I would say there has been some suggestion that they would like the government to finance it. I have told them that is not our intention. They are private enterprises. They are running intercity services, which are not subsidized, and they should supply their own terminal. We will assist them in any way that we can, but we are not in the business of building a new terminal for the private-sector bus companies.

Mr. Yakabuski: Did Greyhound offer to build a new terminal four or five years ago?

Hon. Mr. Snow: I think there had been discussions. I believe Greyhound had an option on some property downtown where they considered building their own terminal. I don't know whether they actually made the offer. During the Greyhound-Gray Coach hearings at the Ontario Highway Transport Board, I think Greyhound stated that they were prepared to put \$4 million or \$5 million into a new terminal. Voyageur have indicated a great interest in a new terminal as well.

It is my feeling that there will always be a main terminal required in downtown Toronto, but I also think—and the bus companies agree with this—that the intercity bus lines should also be serving terminals on the periphery of the area, and not necessarily having all the buses going downtown. We have initiated some of this through TATO A in the form of a new bus terminal, which I believe is under construction now at Yorkdale shopping centre and will be tied in with the Yorkdale station of the Spadina subway. That is a TATO A terminal, basically for GO Transit buses coming in from the north and the west; instead of bringing their passengers right downtown and having more buses and vehicles on the streets, they will terminate at that station as well as at York Mills and Finch stations, so that people will transit from GO buses to the subway to come into the city. It supplies more passengers for the TTC, and the buses don't have to come all the way downtown.

In that terminal at Yorkdale, there is provision—and I don't know where the agreements stand now—for the intercity buses to operate there as well, rather than having them haul passengers right down to the Bay Street terminal, where they would have to get on the subway and go all over Toronto to get back to their homes. Chartered buses especially—say ski buses—Gray Coach run a lot of ski charters to Collingwood and places like that—rather than originating at Bay Street, could originate at Yorkdale mall; people could board the bus there, and they would have a shorter trip to Collingwood than they would from downtown—and it would keep the bus out of the downtown area.

The private buses there will pay their share of the cost of the terminal, they'll pay rent. TATO A is the main tenant. The terminal is being built by the developer, the owner of the Yorkdale mall. TATO A is the prime tenant and will sublet space to the other operators who want to operate in there.

Mr. Philip: You were experimenting with a premium fare for people coming from the northern area down into downtown. Did that create the desired effect of having people transfer onto the subway?

Mr. McNab: Yes. It reduced the number of buses they have to take all the way downtown. There are still some, but our policy in a general way is the gradual elimination to the greatest extent possible of the number of buses going downtown and interfacing in all areas around the city at the subway terminals so we're not running in competition with the TTC providing additional service. It's more acceptable now with the Spadina line.

Also, in the long term, our policy is to more and more feed to our GO stations the heavy duty service and therefore eliminate to the greatest extent possible the competition with the local service.

Mr. Philip: That Spadina line is great in terms of getting downtown—

Hon. Mr. Snow: Before we had the Spadina line, we were running a lot of buses downtown because there was no use in dumping people at the north end of the Yonge line because it was at capacity.

Mr. McNab: A good example of that is six or seven of us come down from our office at Dufferin and Wilson on the subway. This is what we do if we're going downtown to our office at Union Station. It's ideal.

Hon. Mr. Snow: With ample capacity of the Spadina subway the idea situation for our main terminal was at Yorkdale. Unfortunately, it's a year behind schedule too because of a lot of problems in getting municipal approval and OMB hearings and agreements, not over the terminal so much but the office building and what not that's part of the complex. That all had to be sorted out with North York.

Mr. Philip: Some comment was made about an Orangeville line. With the expansion of the northwest, be it Orangeville, Palgrave all those areas up to Highway 7 or even north of Highway 7, are you planning on developing more routes that would lead into the top of the subway line?

Hon. Mr. Snow: Not at the present time. We have all on our plate right now that we can possibly get the money to handle.

Mr. McNab: And that's outside the authority's area of responsibility.

Hon. Mr. Snow: The authority's jurisdiction is the regions of Durham, York, Peel, Halton, Metro Toronto and Hamilton. Wentworth, Orangeville is just over the border outside of Peel. I know we're nitpicking.

there, if you want to talk about that. I'm not suggesting that's the reason. We don't see TATO as being in the intercity bus line business. We're trying to serve a commuter purpose.

Mr. Philip: Some of those places are only a spit away from Rexdale. They're almost as suburban as we are.

Hon. Mr. Snow: One exception to that is you do go to Guelph. That was an agreement that was entered into with the CN. When we got space on the CN line to run additional trains morning and night to Georgetown, to increase from three trains a day to four, CN had to take one of its trains from Guelph off, I believe. In the sorting out of the service schedule of the CTC conditions was that TATO would run to Guelph.

Mr. McNab: The Barrie line was the same thing, sir.

Hon. Mr. Snow: The same thing there. We had to take those lines over as far as the bus to get the rail service.

Mr. Philip: Have you had a great increase in passengers as a result of using the family ticket system?

[2:15]

Mr. McNab: It's a difficult thing. A relatively small number of people avail themselves of it. There is a general increase throughout the whole system, for what reason we are not too sure specifically. I think it is safe to say that the convenience of that and the economics of it have made it attractive and we can only assume that more people use it.

Mr. Philip: Has advertising this paid off? Do you find that you have done a lot in terms of advertising or public relations to let people know about the pass?

Mr. McNab: We have given it quite a bit of publicity, particularly at Canadian National Exhibition time.

Hon. Mr. Snow: A substantial percentage of the total admission to the exhibition came by GO trains this year.

Mr. McNab: I think somewhere around 11 per cent, which is a considerable number. We went from 600,000-odd people carried into the exhibition last year to almost 900,000 this year. That's all trains, of course.

Ms. Bryden: I noticed that the operating deficit of TATO was \$2.6 million last year or the estimates and it went up to \$14.6 million. This year there is almost another \$5 million added to it.

What I would like to know is, how much is the subsidy per passenger carried in each of these fiscal years, last year and this year? It looks like the operating deficit has gone up close to 25 per cent, but the number of passengers we have been told has gone up around 15 per cent, so it would appear that the subsidy per passenger has been increasing over last year. Am I correct in that?

Hon. Mr. Snow: There are several reasons for the cost escalation. I guess one of the main ones was our contract with the CNR and the contract with the bus companies, and the general operating costs have increased substantially. When the service was initiated in 1967, there was a 10-year contract with the CNR to run the rail service, with certain escalation clauses in it and so on. That contract terminated a year ago last May.

The CNR started out wanting a 70 per cent increase in operating costs to operate the trains. There has been a great deal of negotiation going on. We entered into an interim contract last year to carry on until a new contract could be finalized. A new contract was just finalized about a month or two ago with the CNR for a further 10-year term.

There was a lot of tough negotiation that included myself meeting with Dr. Bandeen, the president of CNR, and meetings with Mr. McNab and the TATO board with the directors of CNR. We came up with a new contract. We didn't argue that fact that they were entitled to an increase, but we did argue with some of the calculations and some of the items that they were including in cost. That is the main reason for the overrun last year and of course, the Richmond Hill line was added in. We are running an extra three or four trains a day to Richmond Hill, so that all puts our operating costs up.

Ms. Bryden: The new contract did not go into effect until this year, is that correct?

Hon. Mr. Snow: The new contract went into effect on May 1, 1977.

Ms. Bryden: You said it was finalized just a month or two ago? It was retroactive?

Hon. Mr. Snow: Retroactive, yes. There was an interim adjustment of 20 per cent or 30 per cent.

Mr. McNab: Thirty per cent. We could justify a 30 per cent increase over the 10 years. We went into an interim agreement because we were completely deadlocked.

Hon. Mr. Snow: Otherwise the trains would have stopped running.

Mr. McNab: As the minister said, about a month ago we came to the final recon-

ciliation on this. Their original estimates were quoted as being, and they presented them as being, 70 per cent over what it was the previous 10 years. When we got into the fine calculations and checked them, in effect it would have been 80 or 90 per cent more. We've got them down now to something slightly over 40 per cent I believe.

You asked one question of what subsidy, I believe it was, per passenger carried. Right now, on the rail it's about 51 or 52 per cent. On the buses it's in the neighbourhood of 65 per cent of the cost. With the buses our revenue covers about 65 per cent of the cost of operations. I think we have one of the best ratios of a commuter rail system in North America. It compares reasonably favourably with the TTC when you consider their overall operation.

Ms. Bryden: Let me just clarify this: You say the subsidy is 51 or 52 per cent on total operations?

Mr. McNab: No, I corrected myself.

Hon. Mr. Snow: No, the cost-revenue ratio.

Mr. McNab: The cost ratio. In other words, we're covering 51 or 52 per cent of the cost with revenue.

Ms. Bryden: What was it in the previous fiscal year?

Mr. McNab: I think about one or two percentage points difference.

Ms. Bryden: Lower?

Mr. McNab: Lower.

Hon. Mr. Snow: It's improving.

Ms. Bryden: Okay. On the buses you say about 65 per cent covered?

Mr. McNab: Yes, we're improving our situation there quite a bit. One of the things is certainly the fare increase, but also we're getting better utilization, we're fine tuning our utilization of our fleet and our bus schedules. We've reduced service in some areas where you couldn't justify it—there weren't enough passengers to justify the service. Those have been largely eliminated.

Ms. Bryden: What is the subsidy on the rail operation? If it's overall 52 per cent and you were getting 65 on the buses it must be quite a bit—

Mr. McNab: No, the rail is, we'll say, 52.

Hon. Mr. Snow: That means that if it costs you \$1 to go from here to West Hill or whatever, that is covering 52 per cent of the costs.

Ms. Bryden: Regardless of whether it's by rail or bus?

Hon. Mr. Snow: No.

Mr. McNab: No, the bus is about 65 per cent.

Ms. Bryden: So there must be a considerably higher subsidy on the rail service.

Mr. McNab: That's right. We really are quite confident that we're going to improve that situation with the bilevel cars for carrying the heavy volumes. As far as crewing and a lot of your costs go there's no significant difference between the operating costs of a train that can carry 80 per cent more passengers. Your crew costs are the same. Your per-mile cost of the railroads—

Hon. Mr. Snow: The wheelage.

Mr. McNab: —the wheelage costs for using the service, your station agents and what not remain constant. This is one of the great benefits, we feel—not only that but a better service to the people—of the introduction of the bilevel equipment. We hope to improve our cost-revenue ratio through that, if the railroads give us a chance and not increase too much more.

Ms. Bryden: Was the fare increase you put in last April in anticipation of the new contract with the CNR or will you have to have an additional fare increase?

Mr. McNab: We're talking about the contract with the Canadian National. That's a general contract that covers the cost of operation. But in all our contracts there's wage escalation. The rail operating unions have a new contract, our own people, the TTC people—everybody we're dealing with impose on us increased operating costs in addition to the cost of the acquisition of equipment. That has been going on since we've first started. Each year there is a general increase in operating costs and capital work. The new contract with the Canadian National is on top of that. We'll still have our escalation of direct costs. We pay the railways and Gray Coach—

Hon. Mr. Snow: There was the Toronto Transit Commission settlement, which resulted in an increase in the wages of TTC drivers. The Gray Coach drivers have the same union and got the same increase; the cost is passed right back through to Gray Coach.

Mr. McNab: Plus an overhead for indirect costs. But one of the things that has cost us very hard with the new railway contract was Canadian National's policy of having profit centres within the National; they broke up the National into these profit centres. One of the things they imposed on us was what the minister refers to as a user charge. We only had a nominal user charge in there.

is has nothing to do with the maintenance right of way or crew costs or anything. That it is, as they say here—

Hon. Mr. Snow: We're using their rights of way.

Mr. McNab: —“We have so much invested in this plant—in the railway, in the ties, in the property, in the signal systems and everything that goes with it—and we want a percentage of that returned to us as your fair share of this investment.” They originally left us with replacement value; and after long arguments and many meetings and appeals to Montreal, we got it down at least to depreciated book value, which is a very big difference.

The part that was difficult to accept—and yet it's a federal government policy and the Canadian National's policy—was the fact that this right of way was acquired by the people of Ontario and the people of Canada, and we shouldn't be charged for the original cost because it wasn't necessarily provided by the railways but by the people of the nation.

Hon. Mr. Snow: A couple of hundred years ago.

Mr. McNab: Not quite, but almost.

Mr. Haggerty: You're not that old, Jim.

Hon. Mr. Snow: Oh, I remember.

Mr. McNab: This was the policy, but at least we got them down to book value, which is quite a difference.

Hon. Mr. Snow: A hundred years ago they built the damn railroad to Vancouver. Surely they had the one to Hamilton 200 years ago.

Mr. McNab: I don't know.

Ms. Bryden: It would appear that, with the new CNR contracts, it's quite likely that in the fiscal year to come the percentage of subsidy will go up from the 52 per cent unless you increase fares.

Hon. Mr. Snow: We review fares annually.

Mr. McNab: And we're carrying more people on the rails without adding trains. If we can get more people going by rail, without adding trains and without adding crew, then that has a very significant effect on our balance sheet.

Ms. Bryden: I'd like to ask, though, Mr. Minister, how you can really justify a subsidy of 52 per cent this year and maybe more next year to a lot of people who—

Hon. Mr. Snow: That subsidy is not 52 per cent, but I can't get that through, I'm sorry.

Ms. Bryden: You said that on a \$1 ticket, half of it would be covered by the revenue.

Hon. Mr. Snow: I said 52 per cent would be covered by the revenue; that would leave 48 per cent.

[12:30]

Ms. Bryden: Yes, I'm sorry. You're right; 48 per cent.

Anyway, how can you justify a subsidy of 48 per cent or more next year for a lot of people who use the service who can afford to buy \$100,000 houses away out in the suburbs and come into the city and make their living here, when for the Toronto Transit Commission—

Mr. Philip: A lot of them are also people who can't afford to live downtown and live in Mississauga because the apartments are cheaper to rent out there.

Hon. Mr. Snow: You sound like a Conservative, Ed.

Ms. Bryden: But the subsidy for the TTC has been frozen at around 30 per cent in total; I believe this covers some capital costs too. What is the subsidy on the TTC ticket? Can you give us that figure? How much are the operating costs subsidized?

Hon. Mr. Snow: Their operating costs are subsidized about 30 per cent.

Ms. Bryden: Has there been any increase in that in the last couple of years?

Hon. Mr. Snow: No, it's the same. Our share is the same and, roughly, I think Metro's share is the same.

Ms. Bryden: My point is that the people who use Toronto Area Transit Operating Authority and GO Transit vehicles are subsidized a good deal more than you're subsidizing the people who use the TTC, and you're probably anticipating an increase in the subsidy.

Hon. Mr. Snow: We're anticipating a fare increase too.

Ms. Bryden: Yes, but the fare increases do not appear to have been keeping up with the increases in costs; and you're refusing to increase the TTC subsidy, which is equally necessary to get people out of their cars and into public transit. As a result, we're sliding backwards on TTC ridership when we're going ahead on GO Transit ridership. Doesn't it seem that your priorities are a bit distorted there?

Hon. Mr. Snow: No, I don't think so at all. We feel equally involved with the transit in the municipalities as with our provincial transit system. There are some different situations, of course. I don't like the cost-revenue ratio of GO Transit either, and we're trying to improve the operating cost-revenue ratio of GO Transit over a period of years.

You must remember that we had a fare freeze on GO Transit a few years ago. At one time—I forget the specific figures right now; it was back in 1972, or somewhere in that neighbourhood—we were up to a point where about 70 per cent of the operating costs were paid out of the fare box. Then we had a government policy that there would be no fare increases for a period of time. We soon found out what that did, because operating costs increased and the cost-revenue ratio dropped to 50 per cent or below—about 50 per cent, I guess.

Ms. Bryden: Which would bring it into line with the GO service.

Mr. Gilbert: I think another thing that you should keep in mind—and Mr. McNab suggested this earlier—is that there is a number of routes that he has to take on in TATOA, such as Richmond Hill, that are strictly immature routes; he started them up from basically nothing.

In the formula with the TTC, we recognize startup costs on the Spadina line. And when you look into how we have handled that, we gave additional funds for start-up costs, recognizing that it was going to take some time—for two years we've done that—to try to bring the Spadina line up to something we'll call close to maturity.

In TATOA's case it might be all together but, when you look at the formula for the TTC, we did recognize that there are additional costs for taking on a large system such as Spadina.

Mr. Chairman: It's 12:32, and it's time to adjourn until 2 o'clock this afternoon.

Hon. Mr. Snow: Mr. Chairman, do you wish the TATOA people to remain?

Mr. Chairman: Yes, we have a few more members of the committee who wish to question the TATOA people.

The committee recessed at 12:32 p.m.

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From the Ministry of Transportation and Communications:
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 Gorr, R. G., Director, Licensing and Control Branch, Transportation Regulation Division
 Mcab, A. T. C., Chairman and Chief Executive Officer, Toronto Area Transit
 Operating Authority



Ontario

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Resources Development Committee

Estimates, Ministry of Transportation and Communications



Second Session, 31st Parliament

Wednesday, November 8, 1978

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 8, 1978

The committee resumed at 2:05 p.m.

ESTIMATES, MINISTRY OF TRANSPORTATION AND COMMUNICATIONS (continued)

On vote 2505, provincial transit program; item 1, capital and construction:

Ms. Bryden: I understand the idea of GO Transit and of subsidizing it is to get people out of their cars and into public transit. I think it is very commendable but I wonder if there shouldn't be a differential in the amount of the subsidy per ticket the farther you come. We do want to discourage urban sprawl and we do want to try to prevent the wall-to-wall housing from here to Windsor. Are the tickets based strictly on distance travelled? Or is there any consideration to favour the people who have located in Mississauga, for example, because there is more low-priced housing in the city and who rely are part of the Toronto area, and give a higher fare for people who come from farther distances?

Hon. Mr. Snow: Our fares are based on the distance travelled.

Ms. Bryden: At the moment you do not attempt to also discourage long-distance commuting?

Hon. Mr. Snow: The fares are based on cents-per-mile travelled.

Mr. MacNab: We have a minimum fare of 35 cents. The minimum fare gets one to about Port Credit, say, on the west—correct me if I'm wrong. After that, it's five cents a mile. It's roughly overall about five cents a mile, but we have a minimum zone and the first five cents a mile.

Ms. Bryden: It might be worth considering some sort of higher fare for those who come from farther away and probably from more expensive housing developments.

Hon. Mr. Snow: Would you consider that as philosophy for the TTC?

Ms. Bryden: I would like to see TTC based on distance travelled too, but that's a decision of Metro council—

Hon. Mr. Snow: The philosophy of the TTC has been to have a single fare system throughout the whole city, so it costs you

as much to go three blocks as it does to ride around from coast to coast.

Ms. Bryden: As I say, that's a decision of Metro council which I don't agree with.

Hon. Mr. Snow: I just wondered what your philosophy was on that—whether you felt that should be on a long-distance basis too?

Ms. Bryden: I think the philosophy behind the GO transit subsidy should be extended to the TTC. In other words, there should be about the same amount of subsidy on TTC fares as there is on GO Transit. We certainly don't have that relationship now but the whole point of the subsidies is to get people out of their cars, to save road construction costs, and to save on gasoline and pollution and so on. It seems to me it would be very desirable for the ministry to review its subsidy program to the TTC on their operating costs as well. Nothing has been changed there in the last two or three years I understand. Have you any plans to review that?

Hon. Mr. Snow: No, I have written to all of the transit systems in the province, not only to TTC. You know, there are others besides TTC in Ontario. Some don't seem to understand that but there are. This doesn't come under this vote but the municipalities have all been notified that their subsidies next year will be on the same ratio as this year.

Ms. Bryden: That is very disappointing news.

With regard to the parking lots and the integration of GO with local transit services, are there any incentives offered to local transit services to extend themselves and provide adequate service to the GO stations? I understand the parking lots are now pretty well full. Or is the alternative to provide more parking lots?

Hon. Mr. Snow: Every consideration and co-operation is given between TATO and the municipal transit authorities to have their buses interface with GO transit.

Ms. Bryden: But do you offer any incentives to the municipalities to provide a service that will connect?

Hon. Mr. Snow: We provide facilities at the GO stations, bus bays and so on, for them to use.

Ms. Bryden: Are you charging at any of your parking lots now?

Hon. Mr. Snow: No.

Ms. Bryden: Do you think that might be an additional source of revenue?

Hon. Mr. Snow: It might be. Certainly it would be a major discouragement for people to use transit.

Ms. Bryden: That's true, but on the other hand when there is such a large subsidy, perhaps they should bear some of the cost of the—

Hon. Mr. Snow: I would like to see the subsidy reduced. I would like to see us increase our cost/revenue ratio close to the TTC cost/revenue ratio. But it seems every time we increase our fares to make a step towards that—we were gaining somewhat the last couple of years, but with the major increase in the costs for the CNR contract, we slid back down to where we were two years ago.

Ms. Bryden: As you know, the TTC costs have gone up too. The other municipal services have gone up and they need your assistance as well.

Hon. Mr. Snow: We are still paying our percentage on their operating costs. The subsidies are going up every year. I expect that our subsidies next year will be \$4 million or \$5 million more than they are this year, across the province, although they are on the same ratio.

Ms. Bryden: Yes, I am just suggesting you need more incentives to the municipal transportation systems to extend themselves as well as GO.

Mr. Watson: Really, my question has been mostly answered. I'm concerned about the parking lots at the end of these GO stations and people complaining they can't get parked. I would be one who would not be in favour of charging as long as we can stay away from it. We are trying to keep cars off the road and encouraging people to use the train. I really would like to see some of these terminals develop where you have extensive parking lots—get the cars into parking lots at the end. That applies to the subway too.

Hon. Mr. Snow: We have expanded our parking lots numerous times as the growth extended, but in many of the locations we just ran out of space to expand.

Mr. Watson: But the use of the system is limited because of some factor at some point. It's unfortunate that the system becomes limited because people who would drive to

it and park their cars can't get a place to park. Therefore—

Hon. Mr. Snow: This will be relieved in numerous lots. For instance the Clarkson and Port Credit facilities are very crowded now. When the new Milton-Streetsville line get into operation there are, I think, five new stations out through Mississauga which will all have parking lots and will all be served, I hope, by public transit. A lot of the people who now drive down and use the Port Credit or Clarkson station will, when that is in operation, be using the Dixie or the Cooksville or Meadowvale stations. That will relieve us a lot on the Lakeshore line—as well as relieve the crowding of the trains on the Lakeshore line.

Mr. Watson: I understand it's the reason why some people don't use it. They just say "I can't get a place to park and that gets—"

Hon. Mr. Snow: That's the case more so for the non-commuter. The commuters who get there early in the morning and get the train get the parking spaces. You find the housewife who comes along to catch the 10 o'clock train to come in for a day in the city—you know we've urged them to do that; we want the riders—but she finds the parking lot full. If they can find a space at all, it's away back in the back corner somewhere.

[2:15]

Ms. Bryden: Mr. Chairman, there's just one mystery item in the estimates there under "detail, capital expenditures; uncommitted projects, \$480,000." What are the uncommitted projects?

Mr. McNab: There is a contingency for unidentified projects such as expansion or parking that we couldn't identify when the program was first developed. It's a contingency similar to many other contracts, where there are going to be certain costs that you can't anticipate. You know they're coming but you can't really plan for them. There are contingencies in there, and we must get approval of authority and the ministry before we spend it on that, because they're not committed in our program.

Ms. Bryden: But in effect, you're asking us to vote almost half a million dollars for the unknown, when you do have the route going through management board for supplementary estimates, if a contingency actually arises. It seems a rather large amount of money just for contingencies.

Hon. Mr. Snow: Yes, well, this amount for all practical purposes gone now, because we've applied it to the sales tax that we brought in before these estimates were brought in.

Mr. Chairman: There's your answer, Ms. Bryden.

Ms. Bryden: You can't predict what the federal government will do.

Mr. Chairman: That is correct.

Item 1 agreed to.

Mr. Chairman: Item 2, we've discussed that, the operations; the loss on operations.

Item 2 agreed to.

Mr. Chairman: Do the members of the committee want to discuss vote 2502, or would you sooner leave that until we visit Kingston next Wednesday?

Mr. Philip: Mr. Chairman, I would move that we stand it down.

Mr. Chairman: Very well. Then we can proceed to vote 2503? Safety and regulation program. I'm sure those are matters that are dear to the hearts of the critics of both parties.

On vote 2503, safety and regulation program:

Mr. Cunningham: Go ahead, Eric. Leave a little bit of time. Don't cut off my stuff.

Mr. Philip: Well, we've gone into this before but I think we're going to try.

Mr. Chairman: Mr. Cunningham, do you want to take a look at them, please?

Mr. Cunningham: We'll try to kick it around the block one more time, Mr. Chairman, with a view of maybe convincing the minister of the concern that we have.

This is not a workmen's compensation file or a tough case. This is some of the correspondence I have had on Bill 78. The other case was on Bill 21, I believe. I don't think I'm going to bore the minister or the other members of the committee by reiterating or going through some of these letters. He's had a lot of them. It's more than just the vested interests of people who have licences versus people who don't. I think it's a concern that we have with regard to the regular and efficient movement of goods on our highways and above and beyond that, I suppose, the safety and the benefits that flow from that regulation.

In Bill 21, which is now gone, we saw a number of proposals that I think would have been detrimental to the economy of Ontario, specifically with the deregulation of toxic waste, a direction I think that would have not been of any benefit to the people living in Ontario. I think the argument was from the ministry at the time that deregulation of that particular segment was a duplication and that the Ministry of the Environment in fact had some control over the movement of toxic goods.

I want to say to you if they do we're not satisfied with the extent of that control. It's apparent now more than ever, that the movement of dangerous or toxic goods within the province especially should be included in the PCV act and very strictly enforced and regulated and policed. Anything short of that I think would be an abrogation of the trust that is given us as elected officials, Mr. Chairman.

In 1978 we see there has been some movement on that but I can't stress enough the philosophy that underlies the concept of regulation. That is that if you're regulating somebody and you grant a licence and you impress upon the individual that gets a licence that it's a privilege in trust, then you have something that you can take away. It's on that basis generally that you get some respect for the rule of law and for fair play. It's on that basis that people live and try to make a living.

This book that we got last night, and I won't get into another discussion about my concern about the delay, but just briefly having gone through it, it's apparent to me that there is some ministry objective in seeing deregulation of the trucking industry. I see in page two it says, "The transportation regulation program is continuing its efforts to improve user safety."

It goes on to paragraph two: "The program's focus is shifting towards the encouragement of commerce and away from the structuring of the movement of goods through regulation." That in itself is an indication to me that you people in your ministry have come to some conclusion that deregulation is the way that we should go.

Further on in this policy document, you make reference to—on page 19, issue seven, regulation versus deregulation—"MTC perceives regulation as a cost-effective solution, deregulation automatic unless proven in the public's interest." Then it says, the fourth point, "Government pursuing policy on deregulation." Somehow, somewhere I think you have departed from the traditional view, the traditional policy of regulation in the province.

Later on, page 16 of section D is entitled, "Implement selective deregulation and privatization." Believe you me, I have no quarrel with the idea of privatization wherever possible. The last point that you make under the first section is, "Define and publicize the economic and safety benefits of regulation and deregulation." There are no safety benefits in deregulation, especially when we're talking about toxic materials.

Finally, on page 43—

Hon. Mr. Snow: I don't know why you're harping on about toxic materials. I accept—after Bill 21 I met with different representatives, different groups and I accepted their points of view on the continued regulation of liquid wastes and that's been removed from the bill. I don't know why—

Mr. Cunningham: I continue to see these generalizations. We can talk about the reasons for some retrenchment on your part on Bill 21, but I see these generalizations that flow through the strategic guidelines. I have to think that whether we're in a minority situation or not at some point in time if you had your way we would be into, as you say here on page 43, "less regulation where indicated by economic implication evaluation." I'm not certain what that means, but the reference is made—"accept more regulation relating to safety and less regulation where indicated by economic implication evaluation." I've tried to figure out what that means.

What I'm concerned about is that the general thrust of this document as it relates to the position of the regulated transportation of goods in the province is that you would move away from that and you would do so as quickly as you could.

Through this discussion I would like to impress upon you again, the findings of a select committee signed by all members of the Legislature—members from urban areas, from rural areas, from the north, from the south, members from all three parties, no dissenting opinions whatsoever—that we must continue to use an element of regulation. It is a decision we made 35 or 40 years ago and the entire infrastructure of development within the province has been shaped with that in mind. It is not a perfect system but it is the best we have. Through, and I used this word last year, a liberalization of the board—and I don't mean changing people on the board and appointing Liberal campaign managers or something like that—a liberalization of the policies in a gradual way, with your guidelines and with your policy directives, through a regulated system, you will see the kind of progress you require and the people demand.

You made reference this morning to the fact you now have orders in council to communicate what the policies are to the board. That is only step one. What you have to do is communicate to the public. I can't see the shipping industry running up to the cabinet office every other day looking for some order in council respecting buses or the movement of goods. The orders in council are hard enough for us to sort through.

The public require that you have a more open and more public definition of what your views are.

Mr. Belanger and my confreres spent a lot of time listening to the arguments, and all of all the members of the committee I was less inclined to regulation than any. I can only say to you, I am convinced after hearing all the arguments, that is the way I have to go.

Mr. Philip: Mr. Belanger was completely unregulated at three o'clock in Brussels.

Mr. Cunningham: I'm afraid I was on the wrong subcommittee and I didn't make it to Brussels. I can't comment on that.

Those are some general comments I heard on the topic. I know other members would like to comment on it and we are running out of time. I have nothing more to say about that particular topic.

Hon. Mr. Snow: I would like to comment on that. I gave my opinion on this matter this morning. The references to the strategic guidelines, and I am sure Mr. Gilbert would like to refer to this also, regarding regulation/deregulation are not thrust at the regulated transportation industry.

My ministry, under several pieces of legislation, has literally hundreds of regulations of one type or another. What we are really aiming at here is to cut the red tape. Whether or not you call it deregulation, what you are trying to do is get rid of the paper burden and simplify administrative procedures.

I am sure when Mr. Alexander, the chairman, appears before the committee, he will wish to comment on the internal review which is undertaking of the board activities. It is an effort to implement recommendations of the select committee, to simplify procedures where possible, an outside counsel has been employed by the board to assist Mr. Alexander. This outside counsel is a gentleman by the name of Mr. Hylton, a former member of the CRTC and former counsel to the CRTC, someone who has had no connection directly or indirectly with the board or the trucking industry, but who is very familiar with administrative law.

[2:30]

There are mounds of paper work which bother me. If one farmer quits milking milk, sells his herd, and another farmer takes over his quota or another farmer retires, he has to go to the board. There have to be notices in the Ontario Gazette. If a farmer is being taken off his route and another one put on, this is the kind of

administrative bullroar I'm trying to encourage the board to get rid of.

There might be some procedure developed so that the board could deal with applications for transfer or minor types of applications on a more administratively simple basis. I'm very concerned that the board get a better information service to the public, that the board have an administration officer to assist small applicants who may phone you up or may phone me asking what to do to get a public commercial vehicle licence. You can send them down to John Doe at the Ontario Highway Transport Board and he will explain to them the proper procedures they have to go through.

I don't like to have to recommend to one of my constituents who wants to make an application before the board on a small application to go and hire a \$1,000-a-day solicitor. They just can't afford that. On the other hand, I don't think they should have to go down there and talk to the chairman to get that kind of assistance.

These are the administrative procedures we want to improve at the board. We didn't take action earlier on their administrative operation, knowing very well that the former chairman was retiring, and that a new chairman would be appointed. We wanted to give the new chairman two or three months at least to get the feel of the present operation before asking him to review the procedures to see what he could do to improve them. That is the timing we have followed.

Once Mr. Alexander had had about three months at the board, I met with him, we discussed this, and he agreed fully and made recommendations to me as to how this should be carried out. We announced that it would be carried out. It's not another study of regulation versus deregulation at all. It's an internal review of administrative procedures with a main view to simplification and giving better service to the public.

Mr. Philip: One of the areas where you could greatly simplify the regulations and which would meet with the approval of a lot of municipal politicians I have talked to is to get into one form of regulation for the cartage industry, for the tow-truck industry, and indeed for the movement-of-passengers industry including taxicabs and those covered under the Public Vehicles Act such as minibuses and so forth.

It seems fairly clear, at least in southern Ontario, in the Metro Toronto-Burlington-Hamilton area, that municipal licensing is simply another form of taxation, that it has no quality control. The industry, including

the tow-truck industry and the cartage industry, has asked for provincial licensing. There is absolutely no reason why the municipal boundaries should necessarily co-exist with the economic boundaries. I wonder what action, if any, you're prepared to take to meet some of the demands of some of these groups and to work out with the proper municipal authorities the phasing-out of municipal licensing and having one provincial licensing body, namely the transport board, license whatever moves on a road.

Hon. Mr. Snow: You and I, Mr. Philip, have somewhat different opinions on that matter. I guess we will continue to do so. I value many of your good suggestions. With regard to cartage licensing, as you know, in Bill 21 we had a proposal for a regional cartage licence which we withdrew when Bill 78 was introduced. We are still proposing to create a new type of regional cartage licence that will allow movement of goods within a region but will be the subject of a hearing before the board when anyone applies for it. In other words, there will be control of entry.

Mr. Philip: The industry isn't convinced though that there will be that much control. That's the problem with the system that you have proposed.

Hon. Mr. Snow: There will be the same amount of control on that as there will be on any application for a licence. Your suggestion that the province take over the licensing of taxis and the Ontario Highway Transport Board hear applications for taxi licences, I just can't accept. I don't propose that the province get into taxi licensing at all.

Mr. Philip: Do you agree, as someone who no doubt does use taxis in Metro, that there is very little or any quality control? You have control by numbers, you have quantity control but no quality control.

Hon. Mr. Snow: I've been in good taxis and I've been in bad taxis, I guess, in Toronto, in London, England, or in Miami as far as that's concerned. To suggest that the province take over the role of licensing taxis throughout the whole province, when hearings have to be held for somebody in Kenora who wants to get a taxi licence, I think the local administrations in the municipalities are quite able to handle the licensing of taxis within their areas.

This of course is not my legislation. The Municipal Act gives those municipalities the authority to license taxis and to control the number of licences issued within that municipality. I'm not saying that the Metro licen-

sing commission or the Mississauga licensing commission couldn't implement some further degree of quality control. If there is a problem, then I think they can handle it better than the province having a huge complement of civil servants inspecting taxis all over the province.

Mr. Philip: Surely there must be some way of licensing taxis in this province whereby you can get the kind of quality control that you have in other jurisdictions?

Mr. Gilbert: I might say, Mr. Philip, that Quebec is a good example of a province that moved towards licensing taxis, about four or five years ago. Our latest information is that they are moving out of it again. They have found they were just not able to implement the desired results. We have followed with interest what was happening down there. As I say, the latest word we have is that they are now intending to move away and try to put it back to the local municipality again.

Mr. Philip: I think if you look at the way the municipalities handle it, you don't even have a quantity control of licences. I take for example the town of Markham. Markham has 85 taxi licences. If you can tell me that 85 taxis are driving around Markham, then you have got a better imagination than I have. You should be earning your living writing science fiction or something. The fact is Markham is licensing taxis and those taxis are going to the airport and picking up fares from Rexdale and Etobicoke and places in my neighbourhood. They're clearly not operating in Markham. I frankly don't know how you have a municipal licensing system—I can understand how in Crow Lake or somewhere like that, sure, municipal licensing of taxis makes a lot of sense.

Hon. Mr. Snow: As you're well aware I'm sure, those taxis, in addition to whatever licence they may have, have to have a federal government licence to operate from the Toronto International Airport. That doesn't necessarily make it—but there are discussions—

Mr. Philip: I'll come to that but I wanted to explore this first.

Hon. Mr. Snow: There are discussions going on right now between the Minister of Intergovernmental Affairs (Mr. Wells) and myself and our officials with regard to possible amendments to the Municipal Act dealing with taxi licences to give the municipalities more administrative control or power.

Mr. Philip: What kinds of control do you—

Hon. Mr. Snow: I can't discuss with you legislation that isn't totally developed yet. It

will hopefully be appearing in the Legislature in the near future.

Mr. Philip: I wonder if we can talk about the airport now. I don't want to forget about the tow trucks and the cartage industry, particularly the cartage industry. I'm sure you've read my speeches and so forth, so we probably don't need to talk about it—

Hon. Mr. Snow: I read them periodically. I enjoy them but I—

Mr. Philip: Disagree with them.

Hon. Mr. Snow: I disagree with some of them. I agree with some of the points you make. I may even steal some of your ideas sometimes, but they're not normally—

Mr. Philip: Good, I hope you do it more often.

Hon. Mr. Snow: They're not normally my bedtime reading.

Mr. Philip: You brought up the airport situation and therefore I'd like to talk about it. As I understand the process by which the licences were granted to operate at the airport, the OHTB accepted applications and then referred them to the federal Ministry of Transport. What was that process?

Hon. Mr. Snow: Just a moment. This goes back before my time. This was when Jean Marchand was minister in Ottawa and John Rhodes was minister here. The major problem existed at the airport. At that time it was agreed that the federal government would issue licences to operate taxis from federal government airports. It would be a federal licence.

Mr. Rhodes offered to make the services of the highway transport board available as an adviser to the federal minister, the same as the highway transport board issues a certificate for a trucking licence—it's as an adviser to me. The ministry issues the licence. Rather than have the federal government use the CTC or some other long-distance body or set up something new to hear applications, John Rhodes agreed that the highway transport board would offer this service.

Applications were received by the board. There was a long delay because the board could not deal with applications until the federal government passed regulations on the licensing. There was some consultation between the province and the federal government on these regulations, but eventually they were passed. I think about two years went by while this happened. This was agitating to the taxi industry because some of these fellows had paid their \$50 deposit and made their applications, immediately and two years later they hadn't got their licence.

But finally their hearings were held. I understand the Minister of Transport in Ottawa decided there should be 300 taxi licences and 165 limousine licences issued at the Toronto International Airport and that the board should deal with the applications as they were received.

[45]

I'm advised a federal government representative sat at all the hearings. If a certain taxi operator was up before the board applying for his licence, and he had been a lead actor at the airport, or the application was unsatisfactory to the federal government, the federal representative should stand up and enter evidence against that applicant being granted a licence. Eventually the board dealt with the applications as they were received and issued a number of certificates—I think slightly more than the 300, because they didn't want to start dealing with them again if one guy didn't bother to pick up his licence.

So they issued maybe 320 certificates to the federal minister and then it was up to the federal minister whether he issued the licence or not.

Mr. Philip: I find a certain inconsistency with some of those licences you have recommended for issue by the federal government.

Ion. Mr. Snow: That the board recommended.

Mr. Philip: I am saying you.

Mr. Gilbert: No, the board here was just administrative—

Ion. Mr. Snow: The ministry had no involvement in this whatsoever, except that the former minister agreed the board would be available as an adviser to the federal minister.

Mr. Philip: But the board then advised that X, Y and Z should be recommended and F should not be recommended, is that not correct? So among X, Y and Z I am saying there were certain people recommended whom I find somewhat inconsistent with your whole idea of local municipal licensing of taxis.

For example, there is a licence held at the airport, I am told, by someone from Fenelon Falls. I wonder how many trips these are from Toronto International Airport to Fenelon Falls. You know darned well that fellow is merely taking fares at the airport, downtown and then picking up fares in downtown. He is operating in a licensed area where our local cabs are paying their \$800 or \$900 or whatever the municipal licence fee is now. This fellow is probably

paying his \$35 or whatever it is in Fenelon Falls—I don't know what the fee is. He is not doing any business in Fenelon Falls, any more than the fellows up in Markham—the 85 cabs operating in Markham. So we have another inconsistency.

But this one is not simply an inconsistency because you happen to have municipal licensing, but one that the OHTB is a party to. I wonder how you are going to explain that the OHTB recommends a licence to some guy operating out of Malton from Fenelon Falls.

Mr. Gilbert: It was first come, first served, as we understand it, as far as the OHTB was concerned. I think there is one other problem—

Hon. Mr. Snow: There were no guidelines, as I understand it, given by the federal government that only Metro Toronto and Mississauga cabs, for instance, could apply.

Mr. Larratt-Smith: First of all, it is important to say the members of the board were made available to the federal minister. So they were operating under his guidelines and really under the federal Airport Concessions Act regulations.

It is our understanding that the only guideline given to the chairman of the OHTB acting in that capacity, was that he operated on a first-come, first-served basis, varied, as the minister indicates, by the federal official who objected to certain individuals.

So the reason, as we understand it, that the man from Fenelon Falls—and you are totally right, he would have nothing whatever to do with Fenelon Falls in terms of operating from the airport. The only reason he would have got a licence was that he got into the line early on.

Mr. Gilbert: Another thing to keep in mind: because there was so much discussion going on, I think a number of the Metro cabs didn't respond quite as quickly as, for instance, the Mississauga cabs. So going on the federal guidelines of first come, first served, the chairman of the OHTB had pretty well a full complement of Mississauga cabs, whereas a number of Metro cabs held back in applying.

Mr. Philip: Surely, though, the OHTB is "the" expert that was being consulted by the federal government. When these things are set up you don't just say "Fine, I have got a sheet of paper here from the federal government that says I have to do this, this and this. Let's get on with the job." Surely you sit down and say: "Let's work out ways that are practical." It just isn't practical to have licences from some guy in Fenelon Falls—

Hon. Mr. Snow: I find a conflict in what you are saying, Mr. Philip. A few minutes ago you said, "The government should set the guidelines, and the board operates within the guidelines." Now you're saying, "When the federal government makes up a regulation, the board should use its own judgement in adding to that regulation."

Mr. Philip: No, what I'm saying is that it isn't the board that's meeting with the federal government; it's the board—which happens to be the Ontario board—meeting with another level of government. Surely when you do that, you sit down and the two levels of government decide what the regulations are and how you are going to work together. This is just impractical. What you're doing is you're encouraging piracy by this kind of system.

Hon. Mr. Snow: I'm not defending the system. I have some concerns about it. I didn't create it. We are a part of it because of the use of the board to hold the hearings. I did not create the regulations. We do not issue the licences.

The federal minister had no obligation, I believe, to issue all the licences for which certificates were issued in the same way that, in theory, I have no obligation to issue a PCV licence because the board issues a certificate.

The normal practice is, when the board issues a certificate, it's more or less automatic that the licence is issued; but there can be reasons to not issue.

Mr. Philip: Would you be willing to sit down with the federal minister some time when you're in your conferences and say—

Hon. Mr. Snow: I have had a hard time trying to sit down with him recently. We used to have considerable meetings. Now that he's the minister of everything, it's pretty hard to pin him down. Maybe that will change.

Mr. Philip: Can you direct the Ontario Highway Transport Board to sit down with the Federal Department of Transport and say: "Look, this doesn't make any sense. Admittedly, the fellow from Fenelon Falls who has the licence is grandfathered in; there may be very little we can do about it, but surely we don't go on issuing these kinds of licences"?

If the fellow in Fenelon Falls is clearly operating in an illegal manner in Toronto, there must be some way of reaching him. I find it absurd that a guy can—

Hon. Mr. Snow: My officials, legal staff and so on have been meeting, and I believe are meeting again later this week, with federal officials and with the airport manager in

trying to come up with some improvement to the system.

I haven't discussed this recently. I did discuss it with Mr. Lang a couple of years ago at one of our meetings. We got into the airport taxi problem. That's when we were waiting for the regulations and the board couldn't hear the cases, and when the city of Mississauga and others were putting pressure on it as to why the board wasn't hearing these applications. When they couldn't hear them until they had the federal regulations, I then met with the federal minister to try to bring some conclusion to the thing.

Right now there are meetings going on between my staff, the federal staff and the airport staff.

Mr. Philip: Do you expect to be giving a report back to us on this particular issue within a certain period of time?

Hon. Mr. Snow: Whenever I have anything to report, certainly. The licences there is under the control of the federal government. If the federal minister is happy with the board and he decides there should be another 25 taxis licensed, then he can ask us to hear another 25 applications.

Mr. Philip: At that time you might make the recommendation that it isn't in the best interest of at least the municipal taxicab municipal regulations to license taxis from outside the Metro area.

Hon. Mr. Snow: I know the taxi committees from Mississauga and from Markham have also met with Mr. Lang to discuss this matter.

Mr. Gilbert: To look at it on the positive side, Mr. Philip, I think you can appreciate that we've been in and out of this thing for a long while. I have to say this: There is certainly a considerable improvement in what there was a few years ago. I don't think the thing will ever be properly solved, but certainly there has been an improvement.

I got in a cab the other day—an independent cab from Mississauga, as it turned out—and I was chatting away to the driver about this business you mentioned earlier of people being turned down. He had a nice clean cab—he's going along with what you were talking about, the good-quality cab—and, riding with him, I asked "Are there many cases coming up where they're turning away?" He felt not. I was only going a short distance that particular day, and there was no hesitation in talking to me and we had a chat about what was happening. He was saying he thought the service had improved a great deal and, consid-

ny experience out there and from what I heard, there has been improvement. But I recognize there are these kinds of problems you are talking about.

Hon. Mr. Snow: I think it's running along fairly smoothly now, except for Metro Toronto—they feel they have the short end of the stick as far as the number of licences concerned, but I think this is because there weren't that many Metro applications. A report I saw the other day shows the number of Metro applications outstanding right now is not that great a number. There are, I believe, 300 cab licences in existence in the city of Mississauga, or approximately one for every 1,000 people or whatever. There are, I think, 2,300 licences issued in Metro Toronto. Mississauga has something like 149 of the 300 airport licences, while Metro has something like about 60. So, even if you take the 60 licences that Metro has and the 40 or so applications that are outstanding, that's only 100 that have been applied for even at this date. Obviously all the 2,300 cabs in Toronto don't want to pay Mr. Lang's \$875 for an airport licence.

Mr. Philip: Just to summarize, so that I understand what you have said up until now in our conversation: You said there's nothing you can do about the problem of the 85 cabs in Markham which are obviously competing in and undercutting the Toronto market. But you will discuss the airport cab situation with the federal minister, and you're at least sympathetic to the problem that exists there. Is that my understanding?

Hon. Mr. Snow: Oh, yes. I can find no rationale in my own mind why the hell there should be 85 licences from Markham, I think you said—I think it's more likely 35 or 40 licences—when there are only 60 from Metro Toronto. I can find no rationale in my mind at all. It's certainly not my doing.

Mr. Philip: I wonder, since we're talking about the airport, if we can talk—

Hon. Mr. Snow: There isn't one from Oakville.

Mr. Philip: They're probably too prosperous in Oakville to own taxis. They're in the construction business.

Hon. Mr. Snow: None ever applied for; none were issued. I understand there is no application in right now from someone in Oakville; I have no idea who. But that was on a list the other day. There's only a few from Brampton, for instance—half a dozen, I think—and Brampton is pretty close to Malton airport.

Mr. Philip: Let's talk about the public vehicle licences, particularly for air limou-

sines. I use limousine service myself, and I have always found that I get good service and so forth. I have very few complaints about quality, and I'm quite satisfied as a customer. But the cab companies are arguing, and I think possibly with some validity, that in turning out a public vehicle licence to the limousine industry, what you're really doing is giving them a licence to operate an unlicensed taxicab. I wonder if you'd like to address yourself to that, because their cost for a licence is considerably less than what is paid by some of the cab companies who have to pay the municipal licence on top of their licence fee at the airport or whatever other costs they have.

[3:00]

Hon. Mr. Snow: As I understand it historically, the board got into the issuing of certificates for limousines some years ago, when the limousines were an adjunct to a bus service that operated between the downtown hotels and the airport. Air Terminal Transport was a company that had a federal franchise to supply all transportation to Toronto International Airport. They were really regulated—so well regulated that I can't understand how they went broke. But they did eventually go bankrupt, as I understand it.

Mr. Philip: Murray Hill had a similar franchise in Montreal, and they ended up with bricks through their windows and a number of other things.

Hon. Mr. Snow: I don't know, but it was a big problem a number of years ago.

Mr. Philip: Monopoly doesn't always necessarily mean profit.

Hon. Mr. Snow: At some time, or somehow, the board got into the licensing of so-called limousines which really don't qualify under the Public Vehicles Act as limousines. Under the act, a limousine is a vehicle carrying seven passengers or more. As far as I'm concerned, the board should only be issuing certificates, and we should only be issuing public vehicle plates, to truly limousine services, the people who supply seven-passenger or nine-passenger cars, for instance, for funerals, weddings, VIPs and whatever.

I don't feel these airport limousines, whatever you may call them—they are ordinary six-passenger cars—should be licensed. I agree they give a good service. I agree that the service is required and that there should be this alternative service available to the public. I don't know whether the figures of 300 taxis and 165 limousines are right or not. In any case, that was established by the federal government.

I really am not sure that we should be licensing those limousines under the Public Vehicles Act. We're looking into that at this moment.

Mr. Philip: Under the Public Vehicles Act you can only charge one fare per trip. Is that correct?

Hon. Mr. Snow: One fare per passenger.

Mr. Philip: One fare per passenger? You charge on the per-passenger basis, do you not?

Mr. Larratt-Smith: That's right.

Mr. Philip: Yet the limousines then would be constantly in violation of that because they're really operating charter trips, are they not? Can you address yourself to that?

Mr. Larratt-Smith: Yes. The origin the minister was referring to a minute ago, the origin of how those public vehicle plates got on the limousines—and I think it's well before anybody's time who's sitting here—was that, with that monopoly on the buses, for some reason it was deemed that the limousines operating as an arm of the scheduled bus service were chartered trips.

My understanding, which I can't verify in any document, is that at a relatively early stage—I would think at least eight years ago—the federal government found, in auditing the accounts of this company that had the franchise, that the bus passengers were cross-subsidizing the limousine passengers. That obviously was not a particularly good state of affairs. It was some time shortly after that that they split the two apart.

Then, of course, with the Murray Hill situation in Montreal and a lot of pressure for access by cabs to the airport, the exclusive franchise was lost and Air Terminal Transport went broke. Its operation was taken over really by a number of the previous drivers with their own vehicles operating under a general licence.

Mr. Philip: I am willing to concede that possibly things are better than they used to be. I have only been at an age where I could use airplanes in any great number during the more recent history so I don't know what it was like in the bad old days with Murray Hill getting bricks through the windows and the Teamsters trying to organize and so forth, other than the fascinating stories my father used to tell. Nonetheless, the Public Vehicles Act is being violated. People are operating illegally or contrary to the act.

You have a taxicab system that clearly isn't operating in an orderly fashion and one wonders if some position paper or some inquiry should be made into this in the same way we looked into the movement of goods

and the whole regulatory process of goods. There is a need for somebody to come up with some positions, even if only for discussion, with which we can come to grips.

The people in the industry are not happy. The passengers are complaining.

Hon. Mr. Snow: You mean the taxi industry. I know that the—

Mr. Philip: And the limousine industry.

Hon. Mr. Snow: I haven't had any approaches from the limousine industry. They may have approached my staff about their concerns, but I haven't heard anything. I know the taxi industry is concerned about the number of limousines. It feels there are more limousines than appropriate at the airport compared to taxis. I didn't set that amount. The federal minister did.

There is dual licensing in both areas right now. If you are a taxi and operating from the airport, you have a Metro taxi licence or a Markham taxi licence or Mississauga licence or whatever. Anybody can take passengers to the airport, but if you are going to pick up passengers at the airport, you have to have the federal airport taxi licence which costs you \$875. That is the situation if you are a taxi. But you can then haul from the airport, you can haul to the airport and you can haul anywhere within Metro if you have that type of licence.

The limousine operator has a PV plate which, granted, only costs him \$28 a year. I don't know what the taxi licence is. He can only pick up passengers going to the airport. He has his same \$875 licence to pick up passengers at the airport and take them wherever they want to go. He cannot pick up passengers at the Royal York and drop them at Sutton Place, which a taxi in Toronto can do. He is only licensed to go to and from Toronto International Airport.

So there is a difference. I am looking into this matter on limousines right now and I would like to see us eliminate this dual licensing of limousines.

Mr. Philip: You say the limousine licence only costs \$28 or some small fee like that? But I am told—

Hon. Mr. Snow: I am sorry, no charge.

Mr. Philip: So the public vehicle plates cost nothing or next to nothing. I am told there is considerable selling of public vehicle licences. Is that true?

Hon. Mr. Snow: I am not sure.

Mr. Philip: There is also the same thing in the taxi industry.

Hon. Mr. Snow: There is considerable selling in the taxi industry and I am sure

there is probably some selling of the federal airport licence too. If someone has one of these licences and consequently the privilege of operating from the airport and also has say, a Mississauga taxi licence, I am sure when he goes to sell his business, he gets a higher price because he has that Mississauga airport licence.

Mr. Philip: If you did that in the transport industry and the transport board found out, and there have been cases where they have refused to transfer what they considered to be dormant licences, you would be caught. Here you have another inconsistency. The transport industry at least can be penalized if they don't go along with one set of rules, but in the taxi industry, in the limousine industry, the movement of people, you have a more archaic kind of system.

Hon. Mr. Snow: We are looking into this very seriously right now. This was also part of my discussion with the Minister of Intergovernmental Affairs.

Mr. Philip: Dick Smith had a very philosophical argument on it, one he felt very strongly about. He used to argue that a licence was government property and therefore you couldn't sell something that belonged to the government. If you take this philosophical position Smith used to argue constantly, any selling of dormant licences would be illegal.

Hon. Mr. Snow: Or the selling of active ones.

Mr. Philip: Or active ones. But in the trucking industry, we were mainly concerned about the sale of dormant licences. There is no way of catching the active licences because you were selling goodwill or whatever on which you can't put a price tag. I wonder if you can comment on the brokerage of limousine services. I understand under the Public Vehicles Act, the application is made by what amounts to a brokerage house, not by the individual car owner. Such and such an airline limousine service, which is a telephone service and radio intercommunication system, is the one that applies for me. I buy my car. I go to them and say, "I want to work for you. I have a nice limousine." They say, "Fine, we will apply on your behalf." I am wondering what kind of controls or checks you have on that kind of brokerage system. Because they can raise my fees as a driver tomorrow and because the licence is connected with the limousine company and not with me as an individual owning a car, there is very little I can do.

Hon. Mr. Snow: The same thing applies in the taxi business. It certainly does in the trucking industry. There are many owner-operators who don't have any PCV licences who are working for trucking companies that do. They pay a commission or whatever you wish to call it to the person who has the business and holds the licences for supplying him or her with business.

Mr. Philip: But I don't think it's the basic process by which the industry is operating, unlike the limousine business where you have practically all the cars, if not 100 per cent then certainly close to it, operating through brokerage houses. Although it was not one of the major problems looked at by the select committee on the highway transportation of goods, we did recommend a series of restrictions and controls on brokerage and I am wondering if something has to be done with the brokerage going on in the limousine business.

Hon. Mr. Snow: We are looking at brokerage generally. We can only do so much at one time in the ministry. We haven't got unlimited resources. I haven't got unlimited time to have all these meetings. But I think the legitimate broker provides a useful service. I have talked to many truckers who work for brokers. I had a meeting in my home one evening a few months ago with a houseful of them who mainly operate for brokers and they had nothing but praise for certain brokers who were very legitimate. They lined up contracts for hauling for them, collected the money, paid them properly and took a 10 per cent commission or whatever for their services.

[3:15]

Mr. Philip: And for some of the small operators it's a great service.

Hon. Mr. Snow: But there are sons of b's who took them over the skids. I think the broker certainly has his place.

Mr. Philip: In the trucking industry, and I think you just stated the point I'm making, there is competition and if you don't like one broker you can go to another.

Hon. Mr. Snow: There are not too many brokers in the limousine business and they don't have too much option to go from one to the other, I guess.

Mr. Philip: That's the point that I'm making. If two or three limousine operators decide to up the ante, up the fee for plugging into their dispatching system, you've got very little alternative. You may have invested \$35,000 for your car and to get a licence and so forth. And that's what I under-

stand some of them are going at. They went into the business to be independent businessmen and suddenly they aren't independent. I'm not saying there are any abuses, I'm just saying it's open to abuse and it may be something you want to look at.

Hon. Mr. Snow: There is another theory I can argue too and that is that the licences should not be in the hands of the broker. The broker could run an essential dispatching agency, supplying the same service he's doing now, without holding the licence. There's a lot of this in the trucking industry where the broker doesn't hold the licence as well.

Mr. Philip: I'm glad that you came around to that conclusion because I was going to suggest you've only got two options that I know of. One is to say that the individual car owner is the one who gets the licence—and let him use whatever dispatching service or method he wants. The other is to have some kind of control or regulation in licensing of brokers. I could see either one. I don't know which is the best route to go.

Hon. Mr. Snow: There's a third option. We should not be in the business of issuing PV plates to automobiles that are not legitimate limousines.

Mr. Philip: That's a third option, I suppose.

Hon. Mr. Snow: The federal government is issuing the licence to those people specifically to haul passengers to and from Toronto International Airport. Why should they have to have a PV licence to do the same thing? It's a dual licence. We should get rid of the one licence.

Mr. Philip: You'd find the federal government would still be faced with the brokerage problem and they'll have to solve it. So that doesn't solve that problem.

Hon. Mr. Snow: They created it, I think.

Mr. Philip: One last question on this issue: On the tariff of chartered trip rates, I wonder if you could tell me something. This example is turned out by Carl Demonté who, I understand, is a broker with a great number of cabs at the airport. Have these rates and districts been approved by the transport board?

Hon. Mr. Snow: I wouldn't have any idea. Maybe someone can answer that.

Mr. Larratt-Smith: I don't know for certain but my understanding is they have. I'm not aware directly but I've been told they were approved by the board.

Mr. Philip: Because my understanding is that they haven't been approved. I'm not questioning the justification of some of these rates although I think that might be asked because if you look at some of these zones

you wonder how they set these up. If you are going to have a price-setting system or rate-setting system, what is the process by which those rates are arrived at and how it enforced?

Hon. Mr. Snow: We're not in the rate control business.

Mr. Philip: But this says, "Tariff of chartered trip rates, Ministry of Transportation and Communications of Ontario." That comes across to me as a rate-setting process of some sort.

Hon. Mr. Snow: It's a rate filing process.

Mr. Philip: I think it's more than rate filing. They have to have this approved because this says, "Subject to approval." It says, "Date effective," and this one that it has says, "Upon approval," so that means the ministry is approving something that is more than rate filing.

Mr. Larratt-Smith: Mr. Philip, perhaps it would be important to mention that real those PV plates, as the minister has indicated to you, our legal advice is—and it has been for some time and we've been concerned about this ever since the negotiations with the federal government that led to the present situation back in 1974—the legal advice is that those plates have no status law whatever. Realistically, whether the particular document has ever been before the board or not, would, according to our legal advisers, not stand up in a court of law.

What is important, and the reason the PV plate has had value prior to the new airport licensing system, was purely and simply that that was the piece of tin, if you like, that the local airport management accepted. They were really the people who were setting the conditions, because they were the people who were allowing vehicles on and off federal government property. That set of fares was approved, as I understand it, by the federal government, by the local airport authority whether or not it has been to the board, that effective control is at the level of the airport management.

Hon. Mr. Snow: It's on our letterhead, at least it's got a provincial trillium on it but that wouldn't be the first time that has happened.

Mr. Philip: I've seen a number of them and they're all on the provincial letterhead and when you talk to the drivers they say it's the provincial authorization.

Hon. Mr. Snow: I think perhaps this particular question should be addressed to Mr. Alexander when he appears.

Mr. Philip: Maybe Mr. Alexander, as a way of saving time, can be tipped off as to what the questions are and he can come in with a prepared answer. It confuses me.

Hon. Mr. Snow: Could I have a sample of one of those documents? You seem to have a number of them.

Mr. Philip: Sure. I've taken up a lot of time. I have a lot more questions on this vote, but I'm not only going to be polite, but also I've got a summons that I've got to appear somewhere else in a few minutes—

Hon. Mr. Snow: Don't talk to the judge.

Mr. Philip: —so I'm going to ask that I be put back on the list and that hopefully—

Mr. Chairman: We may be through the vote by the time you get back, Mr. Philip.

Mr. Philip: What I've asked for is that you hold the vote until I return.

Mr. Chairman: We can't hold up the progress of this committee.

Mr. Philip: I'm sure Mr. Young has enough objections that he'll keep you going for at least an hour.

Mr. Chairman: Our next speaker is Mr. Pope.

Mr. Philip: Yes, I'm just afraid that I'm going to miss him. My apologies.

Mr. Pope: You're not going to miss anything this time. I wanted to get an explanation, if I could, from the minister as to where he stands right now with respect to Bill 78 and why he's not proceeding with it. I want to get it on the record.

Hon. Mr. Snow: First of all, Bill 78 is still on the order paper. There's a very limited time for legislation in this fall session. I've not over the summer with many groups, including OTA and shipper groups, and others. I've also made many commitments to people who have written to me, both in support and in objection to Bill 78, that the bill would be referred to the resources development committee after second reading.

Of course, my understanding from my opposition critics is that the bill would not get second reading, so in other words it could not get before this committee, regardless of the fact that if it was to get second reading and was to come to this committee, from what I understand from the House leader, there's no possibility, with the number of estimates and other things the committee has to deal with between now and Christmas, that the committee could in any way deal with it this fall.

Mr. Pope: In any event, you've been advised that it wouldn't even get second reading?

Hon. Mr. Snow: That's my understanding. As I say, I've had consultation with the industry and we're working on some additional items. I had a meeting last week with representatives of the OTA where we discussed possible changes in shipper responsibility, so my gut feeling at this moment is that we will not get to it this fall, the bill will die on the order paper and we will bring in a new bill next spring.

Mr. Cunningham: I wonder, Mr. Chairman, if Mr. Pope will permit my interrupting—

Mr. Chairman: Is this a supplementary, Mr. Cunningham?

Mr. Cunningham: Yes, it is. Very perceptive of you, Mr. Chairman. I want to congratulate you.

I would like to let it be known that my party and I are prepared to consider this legislation, subject to the deletion of section 2 of the bill. In fact I would be prepared to go a step further and accept the balance of the bill in its entirety. I think the NDP might go the same way and the bill might be passed in about 18½ minutes in the House.

If the minister wants to have another select committee, through the auspices of the resources development committee, that's fine, although I know the chairman of the committee would have some concerns about that and I know the committee is busy. If that is your wish, fine. But we have waited long enough to see the good aspects of this bill brought forward. It is necessary. You realize there is philosophical disagreement on the aspect of deregulation and if you want to bring in some legislation with respect to that at some other time, we could talk about that.

But this is an omnibus type of bill and from my perspective, the balance of the bill is worthy of support and is long overdue. We support it and it could be done in the House any afternoon or evening you want.

That is my commitment to you, sir, and I think Mr. Philip, were he here, would make a similar type of commitment. You can poll him later.

Mr. Gilbert: Are you suggesting that items such as ready-mix should not be exempt, when in discussions over the last few years the OTA has always felt something like ready-mix should be exempt? What we are saying is there are good items in item 2 as well.

Mr. Cunningham: There might be several, I don't know. The matter is a philosophical matter of regulation versus deregulation and

I would like to see that particular matter deleted from the bill. If you want to introduce another bill respecting that, that is fine.

The balance of the bill is in my view not excessively contentious. You would have a oneness of thought, for lack of a better way of referring to it, in the balance of the bill, which in my view is not excessively contentious.

I am trying to be practical here and make things work. I would hate to see the good aspects of the bill held up as a result of some legitimate concerns we and members of the government party have about it. There is an element within the Conservative caucus that would prefer to see deregulation in some areas. Those may be matters we are not going to be able to sort out. We might not be able to get a consensus. But failing that, I would be very reticent to see the good aspects of that bill held up any longer. That is my commitment. I want it on the record. I want it known.

Mr. Pope: The last speaker is right. It is a matter of where you stand in the philosophy of the issue and we know where the opposition parties stand; they stand together.

There have been some arguments and I think the minister has handled it with the documentation he has provided to this committee. There have been some arguments advanced that by deregulation we are going to lessen the safety aspects of existing government regulations. I find that a rather astounding argument to advance. None of the members here has advanced it.

[3:30]

There is some feeling that might be a net result of deregulation but I think the ministry has laid those fears to rest with some of the comments made in the book provided to members of the committee. I am aware that in my part of Ontario there are a couple of issues: one is the North Bay restriction, as my friend has previously mentioned; another is the feeling of some industries and some municipal action groups concerning selective deregulation, which is what section 2 deals with.

I happen to represent an area of northeastern Ontario that has substantial problems in terms of industrialization or development of secondary industries related to the resource industries. There is a perception that part of their problem is transportation costs, and a further perception that those transportation costs relate to the licensing system.

I am also aware of at least two major industries in northeastern Ontario which for

a number of reasons, including transportation costs and, they claim, relating to lack of selective deregulation, are looking to locate elsewhere—one in Quebec and in southern Ontario. It may be they do have the expertise of some members of Legislature. It may be they don't understand the economic consequences of selective deregulation. It may be that the mayors of every municipality in northeastern Ontario don't know what is good for them in terms of freight service with the trucking industry.

But I find it shocking that we are going to be able to have consideration of section 2 of this bill in the resources development committee, so their viewpoints will be heard and there can be an exchange of ideas between themselves and this Legislature. That is all I have to say.

Mr. Watson: I wanted to get in here a little different subject. Some of the things you have done in deregulation, I'd like to congratulate you on. For years farm vehicles across Ontario, and particularly in southwestern Ontario, were plagued with weight load permits. Somebody got rid of them. I'd like to congratulate you for that. As a provincial employee, which I was, it was very embarrassing for me to tell all farmers not to apply for the weight load permits because if they got caught with them it wouldn't cost them as much as a permit itself. It was kind of a stupid regulation that took us a long time to get rid of.

Hon. Mr. Snow: It took a little consultation. We had a lot of co-operation between the Ministry of Agriculture, the Ontario Federation of Agriculture, and the farm safety group. It took a lot of time, but I think we came up with changes that, to the best of our knowledge, are totally satisfactory to everyone concerned.

Mr. Watson: I think it was reasonable and satisfactory. It was just not acceptable to the rural community that you could buy a machine which was illegal to drive on the road. That is what it amounted to: you couldn't get a permit to do it.

I found another situation rather amusing and I am bringing it to your attention because no one else has done so. I was asked recently, in fact by an employee of yours, to go to court and testify that soybeans were not a grain. I found that almost unbelievable. The man had a PCV licence to haul grain. The thinking apparently was that soybeans were a vegetable and needed a vegetable licence to haul soybeans—you couldn't haul soybeans on a grain licence. I said, "I don't believe it." The

get the textbook out and it says that soybeans are a vegetable.

Hon. Mr. Snow: This has been brought to my attention with regard to Bill 78—I forget the wording—where we refer to livestock feed, grain, and so on. We also refer to fresh fruit and vegetables and soybeans didn't seem to fall into anything. They are not a grain. They are not a fresh fruit or vegetable. I could be argued that they're not animal feed; they're animal feed after the oil has been extracted. Soybean oil meal is the animal feed. Professionally, I guess Mr. Watson would know better than I. They're a legume; isn't that right?

Mr. Watson: Yes. I can agree with that. There's no question about that. But being a legume doesn't make them a vegetable. Alfalfa is a legume, and it's certainly not a vegetable.

Hon. Mr. Snow: It has been suggested to me that, if and when the items within Bill 78 are proceeded with, an amendment should be made to add the word "soybeans" to that section.

Mr. Gilbert: They're being treated now as a grain, as I understand it.

Mr. Watson: It's rather inconceivable to a farmer who is trucking soybeans that he grew up in the field that they're not a grain.

Hon. Mr. Snow: If my ministry laid charges against some of the farmers in my riding for hauling soybeans when they had a grain licence, they'd think we were out of our moon-picking minds.

Mr. Watson: They did in that part of the country.

Mr. Gilbert: Whether it was that or what, I understand that we are treating it as grain right now.

Mr. Watson: The federal government a few years ago came out with a program for grain. We thought we had a bonanza in Kent county, because corn was going to qualify. Then the federal government advised us that corn was not a grain. I say they pulled a booboo. They went to the definition of the Canadian Wheat Board to show that corn wasn't included in "grains" as defined by the wheat board. To me, the federal government acted pretty stupid.

As one of these little things that, I agree, is kind of an orphan. I would also say—and I think Dick Ruston might agree with me—that if you're talking to a farmer who grows a crop of soybeans, and he's got to truck them—

Hon. Mr. Snow: He combines them with a combine; he combines his grain with.

Mr. Watson: —he combines them; he figures they're grain.

Hon. Mr. Snow: I'd hate to try to argue with him that it wasn't grain.

Mr. Young: Mr. Chairman, the matters I want to raise are under items 2 and 3. Are we still on item 1?

Mr. Chairman: Whatever you choose. Under vote 2503, we can discuss anything from item 1 to item 3—as long as it doesn't take two hours.

Mr. Young: Coming back to the airport taxi situation, I would like to make an observation. It seems to me that years ago, under the old arrangement, it was pretty efficient and pretty effective. You had dispatchers who brought you in taxis immediately—or limousines, whatever they were called. When that finished, I understand the company went broke because of the influx of the other taxis. It was after that, rather than before that, that they went broke. That was the cause of the company going broke: the influx of the other taxis.

When that came, of course, we got the problem of dispatching and the problem of getting all these taxis coming in there. Sometimes you could get one; sometimes you couldn't. The advantage of the other people was that you had service there for 24 hours a day. But very often these taxis come for the peak loads and aren't there when there isn't a peak load.

On several occasions, I have seen money pass from the driver to the dispatcher. I asked him why, and he told me—

Hon. Mr. Snow: That used to be the system.

Mr. Young: Whether it still is or not, I don't know. This was a couple of years ago, the last I saw of it. He said, "We can't get business unless we do this."

Hon. Mr. Snow: I don't know. Don't hold me responsible for some driver giving a dispatcher money when the total operation of the airport is under federal government.

Prior to this new licensing system at the airport, which now costs the driver, the owner or whoever, \$875 for his licence, we questioned the establishment of what seemed like a very high fee. We were told that was the fee they had to use to raise the same amount of revenue as they did previously on the basis of 25 cents per trip.

It used to be that every taxi that picked up a fare at the airport—I presume limousines as well—paid 25 cents a trip to the airport for the privilege of picking up a passenger there. The \$875 per car is supposed

to produce the same amount of revenue to the airport as the 25 cents per trip did.

Mr. Young: In any case, it seems to me that original arrangement was pretty good. I don't know if we will ever come back to it. I suppose it would create a revolution if we ever tried to have a tendering system where one company would handle the whole business and they would have to then produce all the cars.

Hon. Mr. Snow: That would be a decision of the federal transport—

Mr. Young: That is right. This seems to me something that could be worked towards and perhaps we could bring back the kind of service we had years ago. I just make that observation.

The thing I wanted to ask the minister about particularly was the matter of the implementation of the select committee report on highway safety. First of all I think the committee is very pleased with the way in which the work has progressed in this whole field. I don't recall any other select committee that has had as much reaction on a ministry as this one has had in the way of progress and implementation and recommendation and so on. I want to register that because we are seeing progress in a satisfactory way, although there are some things which are a bit slow.

I would just like to ask three or four questions. The first one: I would like to have the up-to-date results of the RIDE program in Etobicoke. Have we something on that as to where it stands at the moment and what the results are? It is not completed yet, I understand, but do we have some up-to-date results on that?

Hon. Mr. Snow: That is not our program. That is strictly a borough program.

Mr. Young: It is a borough program but I understood the ministry is co-operating in this and I don't know to what extent.

Mr. Lonero: We don't have very much involvement in the program.

Mr. Young: None at all, eh?

Mr. Lonero: The Addiction Research Foundation is involved in it on the evaluation side and some of the program planning. There is an evaluation report to come out, but it would be through addiction research. We have little involvement in it, just trying to keep up. We have not heard from them recently, no.

Mr. Young: So the ministry itself has no up-to-date evaluation?

Mr. Lonero: Not on that particular program. There is the related 24-hour suspen-

sion program which is coming along. We are involved in that.

Mr. Young: And what is happening there?

Mr. Lonero: It is in the planning stage at the moment. There is an interministerial task force under the leadership of the Minister of the Attorney General which is planning legislation and implementation. At the moment they are preparing cost estimates and so forth.

Mr. Young: I know that whole field of drinking and driving is being looked at and the ministry has already made some announcement about what is happening in that. One thing in this demerit system: we made a recommendation that demerit points should date from the time of the offence rather than the time of the actual conviction because of the fact so many people were delaying trials. If their points were up close to the time when they were able to see points drop off before the actual trial was held. Has there been any progress in that?

Hon. Mr. Snow: Yes, we are working towards that. I think I might ask Roly Gower to speak to that.

Mr. Gower: The recommendation was certainly accepted in principle. We are presently working towards completing the development of the probationary licensing system.

Inherent in that is the offence date rather than the conviction date. It is our plan to apply that offence date rather than conviction date to the demerit point program. We would hope to bring that in at the same time.

Hon. Mr. Snow: This involves considerable reprogramming of the computer system—things that just can't be done overnight.

Mr. Young: I quite understand that. I was rather pleased with the study on the matter of driving schools and driving standards and so on. That looks good. Is there further progress in that field today? Is it about where it stands?

[3:45]

Hon. Mr. Snow: We issued a discussion paper about six weeks ago. I had hoped to have that discussion paper out about June but with just one thing and another getting it rewritten, changes made, cabinet approval and so on, and then getting it printed—it didn't get out as soon as I hoped. We originally were hoping to get comments back from the industry and interested people such as yourself by September or October so maybe we could deal with some of that matter this fall, but we have given up hope on that. I think we have asked for comments by December

opefully then over the winter recess we can work on meetings and whatnot with the industry if they're necessary.

I haven't had too much comment so far on it. I'd certainly be interested in having more written comments from you on it because I know of your interest in that area—and from any of the members of the Legislature or the committee. It's one area I have a keen personal interest in doing what we have to do. I know Mr. Cunningham—he's not here now—referred to it in his opening remarks last night. I'm not sure he's read the paper—

Mr. Young: It's a difficult field in a sense, and with the experiment now going on in Georgia, the results of which will not be known for some time—all these things tend to delay action. There's no point finalizing legislation until we know more about the total background.

Hon. Mr. Snow: I would like to find a solution to the driver education system without too much government intervention or control or licensing. So far I haven't found anybody who could show me a way of doing it.

Mr. Young: Has there been any reaction from the community colleges?

Hon. Mr. Snow: The only letter I've seen come across my desk—the ministry may have one—has been from the teachers' association.

Mr. Gilbert: There was some reaction, too, when we talked to the ministry prior to putting out the discussion paper. There was some reaction from them. I know I talked to the deputy minister about the pros and cons of it, but I don't know whether we have anything official from any of the colleges right now.

Mr. Young: I saw some little snippet of news that some community college principal is raising doubts about the feasibility of it. That was quite a long time ago but not since the study paper.

Mr. Gilbert: As the minister said, we have been a little disappointed in the lack of response.

Hon. Mr. Snow: We sent out how many copies of that, do you know?

Mr. Larratt-Smith: I can't tell you off hand.

Hon. Mr. Snow: I think we sent copies automatically to everybody we could think of that would be interested and we sent out press releases at the time announcing the discussion paper—3,500 apparently have gone out. In our press release anybody interested

who wasn't on that list was asked to let us know and we would send them a copy. I don't think we had too many requests from what I understand.

Mr. Young: What it likely needs is a little more stirring of the pot then so we could get some response.

Hon. Mr. Snow: I hope to get some response from the driver school associations and some of the independents, from the safety league and from other safety organizations. It is a matter I would like to deal with next spring in some way or other. If it requires legislation I would like to get it prepared and have it ready for the spring session.

Mr. Young: That's progress at least.

A couple of other matters I want to raise which are more federal matters: one is the passive restraint situation. In the United States, it's mandatory that by 1981 it's coming in for the larger cars and then by 1984, I think it is, for all cars. I haven't seen anything here, in so far as the federal government is concerned, and I'm wondering what is happening. I notice in your memo you say that likely the belt system may come to Canada more than the actual airbag system. That, as far as we're concerned in the committee, is quite satisfactory. We asked for passive restraints and we're not differentiating here particularly.

Hon. Mr. Snow: I don't know what my staff has heard but I haven't heard anything from the federal government on that. We had quite a meeting with them at the Motor Vehicle Administrators Conference in Quebec City a few months ago. They presented to us quite a story about their research, their new \$25 million or \$30 million research facility that they built down in the bush in Quebec someplace for doing motor-vehicle-related and safety-related research. I haven't heard any comment from them on the restraints system.

Mr. Young: But has the committee mentioned this? We have representation from Ontario on the committees dealing with safety in Ottawa and this must have been on the agenda at some point.

Hon. Mr. Snow: Mark, have you any comment on that?

Mr. Larratt-Smith: One thing that I think would be important to note for Mr. Young is that the recent federal budget cuts have very heavily hit this area. In fact, it's our understanding that the portion of the highway safety branch that deals specifically with the five-year co-operative federal-pro-

vincial safety program has had its entire budget eliminated.

Mr. Young: Even then, the matter of having or not having safety belts wouldn't come into the restraint program. I can see where the co-operation between Ontario and the federal government in pressuring for these things might be eliminated, but surely we're not going to be left in Canada without the safety protection that will be coming in in the United States? Surely they won't manufacture cars in Canada without the passive restraint systems?

Hon. Mr. Snow: I would doubt it. I was just going to make this remark before you did, that our auto industry is so intermingled with the auto industry in the US that normally the standards established in the US are closely followed in Canada.

Mr. Young: When seatbelts first came, of course, they made them for the states, New York and California, that mandated them and the rest of the country went without them and Canada went without them at that point, so there are precedents for them doing this kind of thing. If Canada doesn't mandate them, then I can see that we in Canada won't get the cars with safety belts or safety bags while the United States gets them. I know there's the matter of the federal government, but surely there can be some pressure from Ontario?

Hon. Mr. Snow: I'd be glad to raise this with the federal minister as to what his plans are.

Mr. Larratt-Smith: Mr. Minister, perhaps one comment there is that we haven't recently seen any proposed changes in federal standards with regard to seatbelts. The portion of that branch which is responsible for new motor vehicle safety standards is continuing, and presumably as standards are proposed to change in the United States, our federal government would be proposing changes equivalent or related to the American ones because of the integration of the automobile industry. We do have, and we continue to have, a very close collaboration at the technical level with those people in evaluating those standards before and after the time they go into part one of the Canada Gazette, which is when they are proposed formally but not implemented, as I'm sure you are aware.

Mr. Young: Yes, the thing that is worrisome is the fact that our federal government doesn't have the same kind of mandatory legislative power that they do in Washington to enforce some of these standards, and we saw this a bit in the Firestone 500 tires

recently. If the federal government doesn't move on this pretty soon, we may find the industry gearing up, as they must in advance a couple of years, gearing up to produce the kind of bumpers that are continuing here and they are going to change in the United States, the kind of safety device and the seat belts or airbags, leaving those out of the Canadian cars. I don't know. It just seems to me that pressure should be applied from this point on by our provincial people on the federal department to see whether these things can be mandated and make sure that they are there.

Mr. Larratt-Smith: The federal legislation is mandatory, so they are in a position right now in setting equivalent standards to the United States that are mandatory with regard to the sale of new vehicles in Canada.

Mr. Young: Provided we go ahead and do the mandating. The minister is going to raise this, which I think is important, because Ontario does have some clout in this whole field of standards.

Hon. Mr. Snow: We will have communications right away with the federal minister and see what his plans are.

Mr. Young: We might have that before the estimates are finished then.

Hon. Mr. Snow: I don't get replies from Ottawa that quickly, Fred.

Mr. Young: I thought it would just take a phone call to the minister, and he would fly down here with his aircraft to let us know.

Mr. Wildman: Or send his nanny.

Mr. Gilbert: There's just one comment here. We asked six months ago, but we haven't had any answer; so I guess it's about time we started asking again.

Mr. Young: Maybe that's one of the reasons the federal government is losing popularity here and there.

Could I ask the minister what the present situation is with respect to seatbelt enforcement? It looks as if we're getting the thing in hand a bit—certainly the results are looking better—although with half the people not using seatbelts, the results aren't as good as they should be. Your statement was that we were going to have another survey of the use of seatbelts in May 1978. Do we have the results of that survey? Was it actually taken?

Hon. Mr. Snow: I understand there has been another survey completed, but I have to say that I am not going to keep using resources for ever and a day doing seatbelt surveys.

Mr. Young: I quite understand.

Hon. Mr. Snow: We have many other things to do, tight budgets and so on, and don't think the best use of our resources is to do another seatbelt survey every three months. But I understand the most recent one shows seatbelt usage is about 65 per cent.

Mr. Young: Sixty-five?

Hon. Mr. Snow: That would be my observation. I'm the greatest one for watching every car I pass on the highway, and my observation would be that we are getting at least that amount.

Mr. Young: Is the enforcement being stepped up?

Hon. Mr. Snow: Yes. The police have been very co-operative. The member for Lumber (Mr. MacBeth), when he was Solicitor General, got good co-operation from the Ontario Police Commission.

When seatbelts first came in, some police forces were very unimpressed with the idea of them having to enforce this legislation, but I have had many police people come to me and compliment me on the legislation and what it has done in their jurisdictions as far as the saving of lives is concerned.

When you accumulate the percentage increases that we've had each year since the seatbelt legislation was brought in—well, I'm not going to say it's all due to that; I like to think that all our programs collectively have been responsible for the major reduction in deaths on the highway.

The statistics we print out on total highway fatalities include pedestrians who get hit while jaywalking, bicyclists, motorcyclists and so on, all of which have nothing to do with seatbelts. But when you look strictly at the figures for drivers and passengers, our reductions are even more impressive than is the total reduction in deaths and injuries. We have had a major reduction since 1975, and I like to think that a goodly portion of it is as a result of our seatbelt program. Some of it is no doubt a result of the reduced speed limits. Some of it is our general education—generally, the public becoming more aware. Something is working. I can't quite put my finger on it.

Mr. Philip: I have a supplementary question. Are you saying that the number of pedestrian fatalities has decreased at the same time?

Hon. Mr. Snow: No, I don't think so. Wait a minute—I usually carry one of those reports in my bag, but I don't know whether I've got one.

Mr. Philip: One theory is that the seatbelt also keeps you more alert and makes you think of safety, so that might—

[4:00]

Mr. Young: You hardly expect the same reduction in pedestrian deaths as you would in occupant deaths. There would be perhaps some but not very much. The seatbelts and the speed limit reduction would result in many more occupants than pedestrians escaping death.

Mr. Gilbert: I should say, going back to what you were talking about on publicity about seatbelts and what have you, Mr. Humphries isn't here today because he is attending a seminar in Peterborough that was set up some time ago to do just that type of thing with the police. There we are publishing the May survey that shows it's gone back up to 65 per cent. I think we are making a concerted effort with the police and other authorities to continue to put this in front of the public. It's an ongoing thing, but it shows that there have been results considering the fact, as you know, we dropped down to about 55 per cent. It is back up according to our latest survey to about 65 per cent.

Hon. Mr. Snow: Here's a figure now, for instance. I haven't got a really recent one, but this is up until the end of May; that is, five months of this year compared to 1977. You have to go back really to 1975 when we intensified our safety program, fatal accidents were down 8.7 per cent in this five-month period. Deaths were down 11.4 per cent. When you break that down, driver deaths were down 18.8 per cent, passenger deaths down 27.1 per cent and pedestrian deaths up 27.2 per cent. Motorcyclist deaths were approximately the same, motorcycle passenger deaths approximately the same and bicyclist deaths approximately the same. The total was down 11.4 per cent, but in the case of the actual people in the vehicles, the reduction for drivers was 18.8 per cent and 27.1 per cent for passengers, but pedestrian accidents were up. Seatbelts are never going to stop pedestrians from being killed.

Mr. Young: Fewer pedestrians are killed, therefore it wouldn't take very many to raise that percentage point.

Hon. Mr. Snow: For that period, pedestrian deaths went up from 67 to 83 per cent.

Mr. Young: Yes, it's a small number really, so percentages look much more than in actuality.

Hon. Mr. Snow: Sixteen more people were killed.

Mr. Young: I would think that with the intensification of the enforcement that certainly we can get those figures up still more and that process is going on. There comes a place where I suspect we don't go much beyond 70 or 75 per cent. Beyond that, you are not likely to go, no matter what happens.

Hon. Mr. Snow: I don't know. Mr. Gilbert and I had lunch one day a few months ago with the Minister of Transportation and his deputy from Australia. As you know, at the time that we were trying to sell seatbelts to the Legislature and to the public, we were using Australia as an example. We had lunch here in the dining room one day with them and asked them about their seatbelt program. They indicated that their usage has continued to go up. They couldn't tell us any specific figure but they thought they were getting well above 90 per cent utilization.

I think people are getting certainly more and more used to it. I'm not getting all the nasty letters I used to get. Maybe they just got tired of writing, I don't know.

Mr. Watson: Jack Spence retired.

Mr. Gilbert: The Australian people say that it's not an issue any more; it's just an accepted thing down there. In fact, I think the minister from Australia mentioned that he hadn't heard of anything to do with seatbelts for some time.

Mr. Young: My point was that if there comes a place at 75 to 80 per cent where you can't get beyond it—I suspect that that may be true in Canada, though the Australians may be different—then of course that's when the airbags or the passive seatbelts come in to save the lives of the other people and we hope would raise that figure dramatically above that point.

Hon. Mr. Snow: I wear mine 100 per cent of the time, Fred.

Mr. Young: So do I. I have since they were put into my car.

Hon. Mr. Snow: I have since I had that head-on collision. That is the one that convinced me.

Mr. Young: One further question. At the time of the demise of the select committee on highway safety, the election interfered and then our staff was going to the select committee on Hydro and we had to gather up what we had, we had movies and other material on this matter of under-ride on the trucks. We were going to deal with that but we weren't able to because of the time factor.

I understand there has been quite a bit of work done by the department in recent

days on the under-ride of trucks. Where does that stand at the present time?

Hon. Mr. Snow: It scares me to death when I am driving along the highway. Most regular trucks have under-ride protection of some kind.

Mr. Young: Some don't and they are awful.

Hon. Mr. Snow: Some of the specialized units, especially the equipment-moving trucks with the tilt trailers and the knife edge at the back are of concern to me. If you hit something fast enough, whether it has a knife edge or not is not going to make much difference, but they are of concern to me and we have had our people looking into it. I don't know if they have come up with any answers, but I understand the staff will be bringing recommendations to our policy committee in the near future. I haven't seen them yet.

It is a technical problem. Those vehicle tip so you can't build anything under the back unless it is removable or hydraulically liftable or something. But it does worry me.

Mr. Young: There are devices to do that on most trucks now. They know how to do it. Cost is one factor and the other thing is you are not going to make it retroactive because so many of these trucks are on the road now. But on new trucks particularly science should be able to build these things in so that there is a safety factor on all new trucks coming on to the highway and they are coming pretty fast.

Hon. Mr. Snow: I expressed my concern regarding these particular types of vehicle to my staff some months ago and they have been doing research and working with the industry. I understand they are coming forward with something in the near future.

Mr. Young: We have had a lot of publicity lately about trucks jack-knifing. Have we any figures on how many have jack-knifed on the highways in recent days? A lot of that takes place on the cloverleafs and places of that nature, but is it that drivers are becoming more careless? Or is it that we are getting more publicity on these things?

Hon. Mr. Snow: Every time a truck has an accident, it is headlines. Cars can have a dozen accidents and nobody pays any attention to them but if a big truck has an accident it is headlines. I don't know if anybody has any figures on trailers. I know at our research test facility at Centralia, Huron Park, we have been doing a lot of testing of vehicles with anti-jack-knife devices on this type of thing.

We have also done some testing recently on steerable trailers, trailers that have the

automatic steerable rear axles especially for the three-axle trailers that allow them to turn and track. The tests are complete and the report is supposed to be in at the end of the year. A company that manufactures these came to me with their device. I was quite impressed with it. I put them in touch with my people. They supplied the trailers and what not and we carried out, in conjunction with the company, a number of tests. I understand from the preliminary report that they look very good but the written report won't be ready until the end of the year.

Mr. Young: Yes, we saw a picture of your testing going on in Centralia and we were impressed by it. But we still don't seem to have that solution.

Mr. Gilbert: A lot of it is driver error.

Mr. Young: And some of it too is loading, isn't it?

Mr. Gilbert: We investigate every accident and Mr. Larratt-Smith can speak to this—because we have the same concerns. What we have found is that, certainly, in the majority of cases it is driver error that is causing them.

Hon. Mr. Snow: The driver error may very well have a close connection with proper loading techniques as well and other things. When we lengthened the total unit length from 65 feet to 68 feet 11¾ inches, or 21 metres or whatever it was, we considered at this would allow some degree of lowering of centre of gravity. They don't get any more weight but they can have a longer pile. If it's a load of lumber or whatever, they don't have to pile it as high, so that lowers the centre of gravity. This is what gets some of these units into trouble on the ramps of the freeways and so on when they lose control. I think it's partially driver error. There is a reasonable degree of driver error in some way and if his load does have a high centre of gravity, then it is easier for him to lose control.

Mr. Larratt-Smith: We do not collect statistics, Mr. Young, on the basis of jack-knifing such. We would not have those readily available. However, we do try to look at every accident that might involve that, especially involving train vehicles. Just to confirm what the deputy minister has said, the impression we have from reviewing those and going back in many cases to the investigating officer who filled out the report is that driver error, travelling too fast on the ramps and so forth, is the major cause of those accidents. In some cases the error is not that of the driver of the commercial vehicle but it may be some other driver.

Hon. Mr. Snow: Many of these accidents that trucks are involved in occur because of actions of some car driver. In trying to swerve or miss a serious collision, they lose control of their vehicles and jack-knife.

Mr. Young: The driver takes evasive action and he has to do it too fast.

Mr. Philip: With the trailer pups, I understand that research in the States shows that the later models are very much improved and that there is less chance of accident with that kind of vehicle now than there was five years ago. In your studies of jack-knifing and that kind of problem, are you finding that it's the older models that are involved in the accidents as compared to newer model vehicles?

Mr. Larratt-Smith: I can't speak of the research activities that have taken place, but there does seem to be a definite trend, especially where a vehicle is operated as a unit, to use what's called the B-train, which involves really two semi-trailers with the first semi-trailer having a fifth wheel at the back so that there is a single articulation. Apparently from the statistics that we've seen, that is a good deal safer unit from the point of view of jack-knifing.

Mr. Young: Is there any progress on the United States 121, the brake situation?

Hon. Mr. Snow: I understand there are problems with that one. I don't know.

Mr. Young: There have been some objections in the United States. I've seen a couple of reports recently where some of these accidents have been investigated very carefully. They found it wasn't the 121 standard, the brake, that caused the accident as was charged but they're holding on to the standards over there. They find them very satisfactory.

Mr. Larratt-Smith: We're not aware of any resolution of the problem with the 121 standard at this time.

Mr. Young: I have one final question. I want to see what progress has been made on the matter of labelling hazardous materials. Has that been resolved finally?

Hon. Mr. Snow: We're still hopefully going to get the legislation. I'm getting a little bit exasperated to have to keep giving you this answer every time. As you know, we amended the Highway Traffic Act last spring. I guess it was, to provide authority for me by regulation to adopt the federal standards on the transportation of hazardous goods. Is that it?

[4:15]

Mr. Larratt-Smith: Mr. Minister, we thought it might be of interest to the members of the committee. Those three yellow volumes you see sitting there represent the current federal draft of the code which would cover all of these commodities. That code, which we would be happy to have you look at, covers some 3,000 substances, most of which I can even pronounce, I'm afraid.

It also covers labelling; it covers containers. It is, of course, a multi-modal code and it is at this stage, we are told, in the final stages of preparation. With a document that complex, of course, it has to be circulated to industry to find out whether all of it is practical and is right, and, of course, it relates very closely to international standards. The latest information we have from the federal authorities is that some time late next spring that code will be in good enough shape that it could be adopted with federal legislation that is still to go in place, and could also be adopted under provincial legislation.

Mr. Young: It is very nice to have them in yellow books, but—

Mr. B. Newman: We are trying to strive for international coding?

Mr. Larratt-Smith: Yes. We are informed by the federal people that they are trying to work as closely as possible to the United Nations code, because many of these shipments go internationally. We are also told by them that the method they have chosen is simpler, although it still produces that sort of a pile of material, than that currently being used in the United States, which is a detailed regulation for each commodity. This is a performance standard approach, we are informed.

Mr. Young: Just one further matter. I am delighted to hear this is going forward. I hope it gets into legislation before too long. The other night, on one of the television programs, we saw a demonstration of the Hurst tool which is able to extricate people from wrecked vehicles. One of the recommendations was that we should see that these things are located throughout the province. Has any progress been made in that sort of rescue work?

Hon. Mr. Snow: We have an interministerial group looking into this—the Solicitor General, the fire marshal, OPP, Health perhaps, and our own ministry. Larry, do you have anything to report on that?

Mr. Lonero: The task force has been in business for a while. We have visited fire departments and volunteer rescue squads, gathering information from other places on

what is being done. We have an interim report that will be out very shortly and we are aiming towards a final report with recommendations of how to upgrade the provincial system in three months' time from now.

Hon. Mr. Snow: Our concern, Fred, is that I don't want to start new programs with money to support them, or to try to support them at the expense of being able to do a good job with existing programs. We don't want to start a complete whole new raft of equipment and facilities that may be duplicating something else—for instance, the OPP or the fire department. The Barrie rescue squad, I guess, is the one—

Mr. Cunningham: Simcoe.

Hon. Mr. Snow: Well, Barrie is part Simcoe, as far as I know.

Mr. Young: Hamilton has one.

Hon. Mr. Snow: We've talked with the people; we have had briefs from them; they have made some requests for funding. We have been looking into it very closely with the other ministries. No matter how good the idea is, if we can't find the money for it we can't do it.

Mr. Young: It just seems to some of us that the prices on those tools are extremely high, perhaps they've got a new idea on new equipment. But if you came to the place where a lot of these were demanded, think governments would be in a position then to bargain on prices and bargain pretty effectively.

Thank you, Mr. Chairman, for this opportunity. We hope that before another year passed some more of these recommendations will be enshrined in legislation and we'll be back to ask you about the rest of them next year.

Hon. Mr. Snow: We're working on them, Fred.

Mr. Cunningham: I wonder if I could just make one brief comment on Mr. Young's point. I'll be very brief.

Last April, Mr. Minister, on that same topic I wrote to you—I sent a carbon copy to you I think is what I did—of my letter to Dennis Timbrell on this same subject. I would like to suggest at this time that we consider some funding for the Simcoe people just for a year so they can continue. It's a very worthwhile project they have. You could look at it as an experiment in this method of rescuing people. I've met with them too and I think I saw the same show Fred saw. Quite frankly I'm really impressed with them. I think far as the amount of money involved in funding these guys—

Mr. Young: I might mention Hamilton. We saw that one.

Mr. Cunningham: The amount of money is really minuscule in comparison to the amount you would save thereafter. It might be an area where you might involve the private sector as well—specifically, the insurance companies, the trucking associations, the safety people. You might work together with the idea of setting up a fund that would provide training for the various guys—training is most important—and the provision of the equipment, especially these—I think they call it “the jaws of life” or whatever—

Hon. Mr. Snow: These are all matters that are being considered by our interministerial task force at this time.

Mr. Cunningham: I'm sure you've probably heard some of the horror stories about strapping people from vehicles. I heard of one where they had two tow trucks going in separate directions pulling a vehicle apart and another where they couldn't get the driver out so they towed him to a service station and by the time he got there he was strapped on the steering wheel column. Some of them are just ghastly.

For the amount that you'd put out and the amount you'd save through loss of life and the pain and suffering and the amount of money with people spending an extended amount of time in hospital, it's well worth it. I commend this to you, if you could consider it.

I think the insurance companies, on a practical basis, have a vested interest here—just the insurance companies alone—the amount of money that could be saved. You might get them all to co-operate.

Hon. Mr. Snow: It's not the Simcoe group—an individual group like that that I'm concerned with. If you have a program you can't just have it available for one community.

Mr. Cunningham: I know that, but you might try it as a pilot project.

Hon. Mr. Snow: Pilot projects have a tendency to—

Mr. Cunningham: I would be delighted if this particular one—

An hon. member: Put a sunset project on it.

Hon. Mr. Snow: It's much easier said than done to—

Mr. Ruston: Mr. Walker says it.

Hon. Mr. Snow: It's like trying to turn off Niagara Falls

Mr. Cunningham: If you've got a will to do it, it could be done.

Mr. B. Newman: I wanted to ask the minister if in the transportation of hazardous cargo, does the ministry require the driver to carry a manifest that would not only indicate the type of cargo that is being carried but also the materials that might be used to counteract any harmful effects from the hazardous cargo?

Hon. Mr. Snow: That will be part of these new regulations.

Mr. B. Newman: I see. I think that would be a forward step, to require that.

Hon. Mr. Snow: We have not proceeded to try to develop—you can see the complicated system—

Mr. B. Newman: Yes, I understand, sir.

Hon. Mr. Snow: We don't want a different set from what Quebec and Manitoba and so on are going to have.

Mr. B. Newman: You want to go even beyond that, Mr. Minister, because we're international today.

Hon. Mr. Snow: I realize that. We've already said with the last speaker that the federal government, which is heading this, is working as closely as possible on the international basis.

We have taken the steps that we need by getting legislative authority to adopt these regulations as soon as they're ready. This has been on our agenda for three years. Hazardous products regulations are always one of the items on the agenda.

Mr. B. Newman: I raise that because we did have an accident in my own community where to counteract the effects of the hazardous cargo, they contacted the federal authorities in Canada and couldn't get a reply. They eventually got a reply from Washington, DC. You see that it is a concern if you can't get it locally.

To me, if the driver of the vehicle has the manifest, especially if it's a truck that's being used that indicates the type of materials and how you can counteract the effects of the materials, then you simplify the thing much more so. The fire department and/or health authorities could probably be right on the spot and take care of any dangers that might be involved.

Hon. Mr. Snow: I agree with you.

Mr. Gilbert: I might add that in a recent meeting with the railway union people they were expressing the same type of concern. This has been one of the major problems here. They are attempting to cover all loads. Apparently, in their case, they have part loads of one thing and part loads of another. They go along with what you are saying on

the basis that they don't really know what's inside there. All of this presumably was covered in this directive.

Mr. Larratt-Smith: If I might, I have an additional comment here. The part of the federal system that's being devised relates placards to the countermeasure. The placard is on the vehicle, even if the driver were killed or the manifest was not immediately available. It's an exceedingly complex program. There are some placards that are also being developed which would have an international significance and which would relate to how you should go ahead and adopt countermeasures. Do you evacuate the whole area? Can you use water if there's a fire, et cetera?

Mr. B. Newman: I appreciate the information that has been provided to me. The other question that I wanted to ask the minister is how does an individual obtain a driver's licence for a heavy type of commercial vehicle? When he goes to the local office, they require him to provide a vehicle. Where is he going to get the vehicle? The employer is willing to accept him but will not accept him unless he has the vehicle there. The poor fellow is at a disadvantage and has no way of getting a driver's licence for that type of vehicle. What does he do?

Hon. Mr. Snow: What would you suggest?

Mr. B. Newman: I would think that maybe you would have your inspectors make a circuit—

Hon. Mr. Snow: Buy the vehicles and place them all over the province?? Let's be reasonable.

Mr. B. Newman: Not in the least. I wouldn't suggest that under any circumstances because I would expect someone to give me the answer that you gave me if I would suggest a thing like that. There has to be some way of resolving the problem on the part of the ministry. What suggestions have you to offer to assist that individual?

Hon. Mr. Snow: To a small degree, I think some of the driving schools or the community colleges that give courses on transport driving meet that problem. I know it's a problem and I don't know of any way of eliminating it. It's up to the person who applies for the licence, whether it be a car or a truck or a bus, to supply the vehicle to take the test in. It's the same in the federal Ministry of Transport area as far as taking a test for a pilot's licence is concerned. It's up to the pilot to supply the appropriate aircraft to take his test for the appropriate certificate that he's asking for. If he wants to get checked out for a DC-3—

Mr. Ruston: Rent a truck, in other words.

Hon. Mr. Snow: He has to make arrangements with his employer or with a friend or something. In many cases I know they go to a truck rental place and have to rent a truck to take the test. This has its drawbacks because the truck may be different to the one he's been practising on and it may confuse him and make it more difficult for him to pass his test.

Mr. Philip: Doesn't he require the licence to rent the truck?

Hon. Mr. Snow: Yes, he has to have a friend or someone who is licensed. If it's a tractor-trailer unit, he has to have someone with a class A licence to go with him to get the truck and take it to the driving centre to take his test.

[4:30]

Mr. B. Newman: Could you possibly set up a program whereby at given weeks in a year, possibly the first week in January, the first week in March, the first week in September and so forth, the individual could come to some central place in Ontario where you would have the vehicles or you would rent the vehicles so that they could take these tests, everyone coming in there at the time who wishes to take that test. I am talking about a fellow who is unemployed, has a regular driver's licence and has an opportunity for a job driving a heavy vehicle and possibly did drive those heavy vehicles one time, but did not come under the grandfather clause because at that time he didn't need the licence. He now has this opportunity. What you're telling him is that he is to remain unemployed or can't get that type of employment unless you provide him with some type of opportunity.

I'm not saying you're to buy vehicles either. I'd like an answer so that we can help these people. I was confronted with this last Friday.

Hon. Mr. Snow: I have been confronted with it in my own riding. I've been confronted with it as minister, but I don't have any answer as far as how the ministry can supply vehicles for such a purpose.

Mr. Gilbert: We have made a number of individual arrangements. Maybe Mr. Gower could explain this.

Mr. Gower: This is indeed a problem for certain individuals. As a matter of fact, I thought it would be more of a problem than it has turned out to be. There are isolated instances, I'm sure, as you describe, but they are relatively rare. I can't tell you the exact number of what we call a recognized author

er, but I think it's in excess of 300. These are fleet training programs which have a program of training—upgrading other drivers, say, from a D category or from a G, which is a regular driver's licence, to the other higher classes. Provided they prove to us that they have such a training program in existence and provided that our monitoring of that agency shows they are adequately carrying out the provisions of that training program, they are empowered to certify the driving capability of that individual.

When I say there are over 300, this permits an employer to move his truck drivers through the ranks to the highest class. It permits him to take an otherwise unqualified person—and by unqualified I mean a car driver, but not one qualified for the higher class of licence—on as a potential employee, train him and qualify him.

In terms of the ministry's activity, we still require that he be medically fit. We require that he does the written and vision tests and the other tests that do not require a vehicle. We accept their certification. In addition to that, there are many community colleges—Gorge Brown, for example—which conduct regular truck driver training programs. These community colleges also are authorized to certify.

There are many people who aren't aware of this, particularly young potential truck drivers. They haven't investigated thoroughly. When we bring these aspects to their attention, usually the majority of them have either a potential for a job or are looking for training which they can get at the community colleges. The result has been that while there have been instances such as you describe, they are relatively few.

Mr. B. Newman: If I contacted you and gave you the name and the address of the individual, would you provide him with an answer?

Mr. Gower: Certainly I will.

Mr. B. Newman: All right, I'll do that then.

Mr. Chairman: Thank you, Mr. Newman. Are you all through or do you want to continue on tomorrow?

Mr. B. Newman: I had some more questions to ask but I understand you wanted to adjourn at 4:30.

Mr. Chairman: Yes, I know, but for tomorrow night do you want me to have you on as the opening speaker?

Mr. B. Newman: Yes, I do.

The committee adjourned at 4:34 p.m.

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Resources Development Committee

Estimates, Ministry of Transportation and Communications



Second Session, 31st Parliament

Thursday, November 9, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, NOVEMBER 9, 1978

The committee met at 8:15 p.m.

ESTIMATES, MINISTRY OF TRANSPORTATION AND COMMUNICATIONS

(continued)

On vote 2503, Safety and regulation program; item 1, program administration:

Mr. B. Newman: I had a few other questions in addition to those that I asked last time—and I will not be lengthy, by the way. One was concerning a bus accident that happened in the Windsor area where a young lad was killed. The driver of the bus was acquitted, no blame was placed upon the driver, but some recommendations as a result of that case were made that, in my estimation, merit consideration.

It's a school bus. The young lad got off the bus and walked round the front end of the bus to cross the road, but because the front of the bus has the nose and it's not like the municipal buses, the bus driver did look back. He couldn't see the young lad. The height of the bus at the front, I think, is some five feet two inches and the young fellow was five feet six inches, and as a result the bus driver took off and that's where the fatal accident occurred.

One of the recommendations was that all school buses carrying children of tender age should be equipped with a mirror on both sides of the hood of the bus in an attempt to overcome that problem. I'll make mention of the other recommendations and then you can go to your officials, Mr. Minister, can see if these merit implementation.

Hon. Mr. Snow: Were these the recommendations of a coroner's inquest?

Mr. B. Newman: No, these were not recommendations of a coroner's inquest. This is actually what the judge recommended during the trial. He made mention that he didn't have power to enforce any of his own recommendations but here are the things that he thought should be taken into consideration to prevent such an accident happening in the future.

He also makes mention that a senior student should be appointed to get off the bus with children at each bus stop to make sure that the children get safely out of the

bus and out of the way and to advise the driver. That kind of responsibility given to a senior student is a good idea; whether there could be blame placed in case of an accident because the senior student is not an adult, I don't know.

The judge also mentioned designing the bus so that you couldn't have that type of injury. With the rectangular type of bus that is used in the cities for transportation I don't think you could have that type of an accident, but because of the school buses having that long nose, that was one of the reasons for the accident. The boy happened to be in a blind spot and the bus driver had no way of knowing it other than if maybe he had waited a little longer he would have seen the child step out from the side of the bus.

Are the recommendations of the judge in the case valid?

Hon. Mr. Snow: They sound reasonable. The one about the senior student, that would be something I don't think we could legislate. I think it would have to be a policy of the transportation committee of the board of education employing the school bus. That means that a school board could make this a policy of transportation. Many do use senior students for crosswalks and for helping kids on and off buses.

I don't know what kind of a mirror could be used. I would be glad to look into whether there is any suitable type. A mirror is usually to look back. I don't know how you would put a mirror sticking three or four feet out in front of the bus that you could see to look back down. There may be some type. I think the regulation says that a child—now this again perhaps in theory is fine, but maybe in practice is not so good—is supposed to cross the road 10 feet in front of the bus. That is something that's almost impossible to enforce.

Mr. B. Newman: Would you consider maybe even writing a letter explaining the benefits of having some senior student assigned to this, asking the board of education to consider assigning the responsibility to him so that he could monitor a thing like this so that an accident like this couldn't happen again? I don't know how frequently an accident like this does happen, but it did

happen in this case. I thought the recommendation, being that of the judge trying the case, merited some consideration.

I know you make mention of other uses for students, acting as crossing guards and so forth, that are good and are used in communities, but I don't know of this type of individual ever being assigned such responsibility on a school bus.

Hon. Mr. Snow: This is something we would have to take up with the industry and with the school officials with whom we work on this type of suggestion. I'd be happy to discuss it.

Mr. B. Newman: One of the other questions I wanted to ask you is that I've noticed in the United States quite a few of the states no longer make mandatory the use of headgear for motorcyclists.

Mr. Philip: I wonder if I could ask a supplementary on what you started before.

Mr. B. Newman: About the bus? Yes.

Mr. Philip: One of the suggestions has been that school buses can be equipped with these lights that flash out of the side, fold-in lights, at a cost of something like \$150 extra per vehicle. Are you familiar with this?

Hon. Mr. Snow: Not the ones you're describing, but I'm familiar with a type of fold-out stop light.

Mr. Philip: It's also been suggested there be orange lights as caution lights that could be added to school buses, as well as the red flashing lights, at very nominal extra cost.

Hon. Mr. Snow: You're talking about the eight-light system rather than the four-light system?

Mr. Philip: Yes.

Hon. Mr. Snow: We have carried out a research project in conjunction with the Leeds County Board of Education, I believe it is, and the school bus operators' association and the ministry. I'm somewhat familiar with it. A number of school buses were equipped with these fold-out stop signs.

It seems to me that in some degree we've gone full circle. I remember school buses 10 or 20 years ago did have a fold-out sign, not with a red light on it. You young fellows wouldn't remember that perhaps, but there used to be a thing that folded out on a school bus before we had the flashing red lights we have now.

With this new system, which is a flashing light that folds out, I think the cost you quoted is reasonably close to what I have heard. We have this project on in Leeds county, where they've equipped a number of buses and are monitoring the ones that

have it with the ones that haven't. Maybe we could have a report on that.

Mr. Lonero: We took a large group buses and made a measure of the amount of passing that took place according to the drivers' reports; then we took half the buses and equipped them with stop arms and did a couple of post-test measurements looking at the illegal passing a second time. The buses that were equipped with arms had substantially less illegal passing, at least according to the drivers' reports.

Mr. Philip: So it seems to pay off. Your total cost per vehicle was how much?

Mr. Lonero: The unit was about \$150 but on the retrofit cost, with the amount of labour involved and so forth, estimates now range between \$150 and \$300, depending on whose estimates you listen to.

Mr. Philip: Is it not fair to say—and I believe the minister also mentioned it earlier—that research everywhere shows that a majority of accidents involving death of children in any way involved with school buses is in the process where the bus is stopping and the children are either crossing behind or in front or getting off the bus?

Mr. Lonero: More fatal accidents take place to students outside the bus than inside.

Mr. Philip: We have the problem, as we understand it, and the minister may be able to clarify it, that standards have to be set by the federal government, and therefore it is not within provincial jurisdiction. Would there be any way you can see whereby the provincial ministry could set regulations concerning specifications that would have to be in the tenders put out by school boards for the kind of equipment that will be used when those tenders are offered? On a matter of a bus, for an extra \$150 you may be saving some children's lives.

Hon. Mr. Snow: First of all, if I may comment on that, any regulation of that type instructing the boards of education as to how they should tender their school buses, would have to come from the Minister of Education, not from me. But we've been discussing the stop-arm situation. Just a few weeks ago I heard the report that you've heard tonight on the results of the Leeds county experiment.

In some situations, for some improvements it's possible for us to mandate the use of a from-now-on type of situation: all new buses that you buy after January 1, 1971, shall have stop arms. I don't think we can mandate stop arms you could do that, because they would be eight to 10 years before you would

We all the buses with stop arms on them. I think you would have a more dangerous situation having some buses with stop arms and some without. It was all right for an experimental situation to test the system out. I would think if we were going to adopt stop arms it would be within our power to mandate them in the province, although the D-250 standard is a federal standard that all school buses must be built to.

There's a problem to some degree with the generating and battery capacity of the buses that are not D-250. The buses that have been built since the D-250 standard was adopted perhaps have 50-amp alternators on them that will produce enough current for all these additional units. This is a problem with the eight-light system, it is also a problem with the fold-out arms and with two-way radios and all this extra equipment that they're putting on. The newer buses that have the big alternators will meet the load.

It's the same argument we went through, if you recall, a few years ago on the motorcycles. The new motorcycles have no problem, but the older ones do. It's the same way, I find, with aircraft. In a lot of the older aircraft with the small generators and the small batteries you load them up with all this navigational electronic equipment and you have not got enough power to run it. That's one problem. I don't think it's a very serious one, but the older buses, they claim, do not have the electrical capacity to add too much of the equipment.

Mr. Philip: You could add extra batteries or something like that.

Hon. Mr. Snow: The retrofit on the older bus has to include changing the generator. You can do it, sure, but instead of just adding the fold-out arm you have to take the 25-amp generator out and put a 50-amp one in.

Mr. Philip: Is that a major expense?

Hon. Mr. Snow: It probably adds another \$10 or something.

Mr. Cunningham: I think we all appreciate we can't retrofit the older buses.

Hon. Mr. Snow: I think we have to. If you were going to adopt a cross-arm, we would have to retrofit. There is no way we could accept it any other way.

Mr. Cunningham: Could you not say that by a certain date all buses will have to have them?

Hon. Mr. Snow: I would be very concerned, having a group of school buses in a particular school board area with half or a

third of those buses having fold-out arms and the other two-thirds not having them. People driving in the same area would expect the fold-out arms and not seeing them would drive by. I think it would be an intolerable situation.

Mr. Philip: If you did want to make these changes, which act would you bring it in under? Through the Education Act or through—

Hon. Mr. Snow: As far as vehicles are concerned, it would be under the Highway Traffic Act. I think I can do that. But we couldn't tell school boards how to call tenders under the Highway Traffic Act.

Mr. Philip: So you could go either by the Education Act or through the Ministry of Education, or you could go the route of the Highway Traffic Act?

Hon. Mr. Snow: I can't go by the Education Act.

Mr. Philip: When I say "you," I am talking about the government.

Mr. Chairman: Mr. Newman, do you have any further questions?

Mr. B. Newman: Yes, I do. I am willing to allow others to interrupt me if what they wish to discuss happens to be in the same vein.

Mr. Haggerty: I have a supplementary.

Mr. Chairman: Mr. Newman has the floor.

Mr. B. Newman: The other thing I wanted to ask you, Mr. Minister, concerns towing vehicles. Are there regulations in that area? We had an unfortunate accident back in the county. The vehicle was towing one of the vehicles used in a drag race and something happened to the mechanism or the towbar and the vehicle swung right over into the other lane. The car coming from the opposite direction in this two-lane highway collided with this vehicle and it ended in a tragedy.

What are the regulations when it comes to towing?

Hon. Mr. Snow: I hope they are not too extensive, because I have been towed down the road with a rope before and got home.

In fact, if you put too many regulations on people pretty soon they won't be able to move.

Mr. Alexander: It requires two means of attachment. That is in the Highway Traffic Act.

Hon. Mr. Snow: That is for a trailer, though. What about somebody who has a breakdown on the road and has to get towed home?

Mr. Alexander: If it was towing in an emergency situation, the same law would apply as would to any other towing. If you are getting into commercial motor vehicles, hitch regulations apply. Those vehicles must be hooked together according to those hitch regulations.

Was yours a big commercial vehicle or was it a passenger car towing another small trailer?

Mr. B. Newman: Here is the article in the paper:

"The Sandwich South township council wants the provincial government to toughen traffic laws covering towed vehicles. A resolution passed by council requests the transport ministry to consider new safety measures for vehicles being towed to recreation events. One of the councillors introduced a motion which states that the ministry should consider tow bars mandatory where one vehicle is being towed by another vehicle to races, derbies and historical events. This is as a result of an unfortunate accident where the vehicle was being towed by a chain and became involved with another vehicle that was passing in the opposite direction."

Mr. Gilbert: He should have had two chains.

Mr. B. Newman: The resolution passed by my own community was endorsing that of the township of Sandwich South to require that vehicles being towed to and from sporting and amusement events have the proper tow bars with a secondary chain be endorsed as amended by providing that such legislation require all vehicles that are not licensed or are not certified as fit for towing be equipped with the proper towing bars before they are allowed to tow.

Mr. Gilbert: I think we have responded to that by letter. You might be interested in a copy of the letter.

Mr. B. Newman: I would appreciate that.

Mr. Ruston: I have the reply, and a two-page article on it. I think they interviewed the Ontario Provincial Police about it too.

Hon. Mr. Snow: I recall signing a letter on that particular issue to someone. I can't remember who.

Mr. B. Newman: I have only two small items that will not take time. The first is that you provided us with a list of numbers an individual could call to find out road conditions. All of those for Windsor residents are toll numbers. Could you not use the number of the Ministry of Industry and Tourism's tourist reception centres in the Windsor area so that Windsor and Essex

county residents could call that number instead and get the latest weather information rather than having them call Chatham find out road conditions?

Mr. Watson: Chatham's the centre of the world. That's where all the information

Hon. Mr. Snow: Would that tourist information office be manned 24 hours a day? How are they going to get the information to start with?

Mr. B. Newman: You would be sending in from Toronto the same way you send to Chatham. I assume it's on a tape Chatham and it could be on a tape Windsor also.

Hon. Mr. Snow: Are these on tapes?

Mr. Gilbert: We could give them the road information. In fact, in some areas—I know on Highway 400—the Ministry of Industry and Tourism keeps the information for people asking, but the big problem is that I doubt very much if they would be manned 24 hours a day.

Mr. B. Newman: Is it necessary that it be manned 24 hours a day to relay information?

Mr. Gilbert: I would have to say so the winter.

Mr. B. Newman: I can't agree with you because many of us have tape recorders in our own constituency offices that operate around the clock.

Hon. Mr. Snow: How are you going to know?

Mr. B. Newman: You're at least going to know until that office opens the next day.

Hon. Mr. Snow: If I want to phone that office and find out how the roads are in Toronto or in Kingston, you're not going to have all of that on a tape or it would be going on for an hour.

Mr. B. Newman: Our people are primarily interested in conditions from Windsor to Toronto. They're not interested in going beyond that because they know there's another area in which they can get that information, but they would have to pay toll charge.

Mr. Cunningham: If Andy wants to know, he'll call you at your house.

Hon. Mr. Snow: Call me any time you want, Bernie, I'll let you know.

Mr. B. Newman: My office is open to anyone who wishes to come in there to Toronto, but I'm not going to be sitting in the office more than six days a week.

Mr. Gilbert: We could leave the road information for Windsor to Toronto or

ea with them, but as far as advertising it road information being available I think you would get more criticism, for instance, people were phoning and road conditions had changed and it wasn't current. Certainly we are making arrangements in some locations, and have done, for leaving road condition information while those people are here to man it—but just to leave it on tape, you know the conditions can change over a few hours.

Mr. B. Newman: Just as easily as the conditions change you can change your message on a tape deck. You can take probably 120 calls on a tape deck.

Hon. Mr. Snow: Bernie, let's be reasonable. You have a tourist information office in Windsor in the wintertime. I'll bet you callars to doughnuts they're not there after five o'clock at night.

Mr. B. Newman: I can say exactly that same thing for my office at times, but you can still get hold of me.

Hon. Mr. Snow: But the weather changes every two or three hours. You put a tape on there. At five o'clock the person in charge phones our shop and gets the weather and makes up the tape so that somebody can phone in and get the weather. Two or three hours later that weather can be totally out of date and they'd be getting the wrong information all the time. Personally, I won't have an answering machine in my office or in my home, because when I phone anybody else and I get that damned gadget on the other end and it says to leave a message when the beep sounds, I say "phooey" and hang up.

Mr. Cunningham: I'll bet you say worse than that.

Hon. Mr. Snow: I may, because I think they're a despicable thing, and answering services are just about as bad. I won't have one. In my constituency office, I advertise my home number and I say, "If I'm not there call for Barbara or the kids."

Mr. Chairman: Remember you're in candid Ennard.

Hon. Mr. Snow: On the other hand, the federal government airways weather information in Toronto is almost impossible to get. If it's a beautiful sunny day, you can ring 613-3026 and you'll get an answer and you'll get the weather. But you don't need it, because you can see 100 miles in every direction and there are no clouds. But as soon as you get a cloud in the sky, you try phoning the number. You can phone it 20 times and it'll be busy every time, because there's not

enough staff there to answer the calls that are coming in.

I understand that. We have the same problem in bad weather in our roads office. So they decided at the airport to put in a gadget that gives this recorded weather. To phone that to get a weather briefing to make a flight, it's almost totally useless. They rhyme off a bit of weather for you, it gives you very minimal information but you can't talk back to the thing, you can't say, "Where's the front? How fast is it moving?" and so on and so forth.

Mr. B. Newman: I'm not discussing air conditions at all. None of my people who are going to motor to Toronto are going to be motoring above. You also have an airport in the community that you could likewise have the information relayed to, just so the residents don't have to pay toll charges, unless you're going to allow them toll-free numbers to your Chatham office. Will you allow that?

Hon. Mr. Snow: I'm sure if we could afford it, that would be a better solution.

Mr. B. Newman: I'm giving you an out so that the residents in my community are treated as fairly as they are in the Chatham area.

Hon. Mr. Snow: That would be the far better answer.

Mr. B. Newman: Will you consider that?

Hon. Mr. Snow: Yes.

Mr. B. Newman: All right. The last thing I wanted to ask you is are you considering a special licence plate for vehicles that are operated by the handicapped?

Hon. Mr. Snow: No.

Mr. B. Newman: I would assume that you have a good reason for not doing so.

Hon. Mr. Snow: First of all, what is handicapped? There's a great problem in the definition. Plus many handicapped people don't want to be identified as handicapped for various reasons. There is a handicapped decal that some wheelchair users have. They can affix that decal to the rear of the car if they wish to be identified as a handicapped person. I think for us to be involved in identifying every handicapped person would not be feasible, though I've had letters suggesting it.

We have implemented a system for the handicapped—at least I hope it's implemented by now, I haven't checked personally—we were going to identify two or three parking stalls at every one of our GO Transit stations with a sign with the handicapped logo on it. Those parking spots would be reserved for handicapped people so they could park close to the GO stations. If they

wanted to use that facility, they would have to have a handicapped logo on their car to identify that they're handicapped. Otherwise, everybody would be using it and you wouldn't be able to control those spaces.

Mr. Philip: You sure get tackled at the airport if you tried pulling into one of those spaces. My mother is in a wheelchair and she flies. When I pull in to go into one of those, because I have to load her on when I'm meeting the aircraft, boy, they sure come out and watch what you're doing.

Hon. Mr. Snow: I instructed GO Transit two or three months ago, or whenever it was, to install two or three, whatever was appropriate, of the reserved handicapped parking signs at every one of our GO stations. Up until that time we hadn't done that.

Mr. B. Newman: Would you consider having a handicapped area set aside on Highway 401 service centres? I've noticed in travelling from New York City right through to Cleveland on Highway 80, every single service centre has these.

Hon. Mr. Snow: I don't think we've considered that. I'd certainly be prepared to consider it.

Mr. B. Newman: I have other questions that I want to ask, but I'll ask them on a later vote.

[8:45]

Mr. Chairman: Mr. Haggerty, your big chance, the moment has arrived.

Mr. Haggerty: I wanted to go back to the matter raised by Mr. Newman concerning the buses picking up school children. I'm concerned about the design of the buses themselves. If you get behind one you can see the back with the overhang on it and the children in the back end of it. I wonder at times if they are actually safe, if they have proper control over the steering.

I think if one looks at the front springs you can almost see that the weight is all pretty well at the back and there's not too much on the front of it. Do you take this into consideration in your safety inspections on buses?

Hon. Mr. Snow: That wouldn't be a consideration of a safety inspection. You don't move the axle back and forward from one day to the next. That would be a design criterion under the D-250 or whatever federal design criteria, and any bus manufactured or imported into Canada has to meet that standard.

Mr. Haggerty: The point is, though, it may be designed for that purpose but does it actually test out to that? At times there must

be a good 10 feet of overhang in the rear axle there, and perhaps that's why they have the motor in the front end to balance it, I don't know.

Hon. Mr. Snow: Most of them do, yes.

Mr. Haggerty: I am concerned about that, and, as my colleague has mentioned, about the view from these buses. Some of them have fenders almost as high as the hood. Other vehicles on the road are designed to have lower fenders so that you can see out in front. It gives you a little better vision. Perhaps these vehicles could be designed so that the driver can see if a youngster is out in front of the vehicle without having mirrors sticking out six feet in front.

Hon. Mr. Snow: You could use all cab over buses, of course.

Mr. Haggerty: There's another design. Maybe that's what you should be looking at. There might be a saving all the way around, when MTC is subsidizing local buses for transportation.

Hon. Mr. Snow: We don't subsidize school buses.

Mr. Haggerty: In the city of Niagara Falls I believe the transportation system picks up from schools. Am I correct on that, Vince?

Mr. Kerrio: They've got two systems.

Mr. Haggerty: Sure, they've got two systems there. On the city transportation bus system they have the windows that are pretty well down so that you can see right out in front. Maybe there might be some way that you can capitalize on the savings here, because half the time the general public or the taxpayer is paying for the school buses and they sit idle. They're used about two and a half to three hours a day in most cases and they're sitting idle.

Hon. Mr. Snow: What are you suggesting?

Mr. Haggerty: I'm suggesting that perhaps with a different design of the buses they could be used for two purposes. It could be assisting local transportation needs in some municipalities that can't afford—

Hon. Mr. Snow: The difference in the cost between a school bus and a transit bus is fantastic. I don't know what a school bus costs. A transit bus is now up to about \$75,000. Anybody know what a school bus costs? It's \$25,000 maybe.

Mr. Haggerty: They wouldn't need to be as elaborate as some of the other buses that are available to the public.

Hon. Mr. Snow: Transit buses aren't that elaborate. They are a solid chassis but they are not plush inside.

Mr. Haggerty: No, but they are diesel equipped. There's an extra few dollars right there.

Hon. Mr. Snow: The highway cruiser is now over a \$100,000.

Mr. Haggerty: You can look at the design of some of these vehicles on the road now that have the fenders the same height as the old. There's no reason why those fenders cannot be lowered to give the driver better visibility than he has today. In the matter concerning the bus inspections, I know you have run into difficulties this year. I know in my particular area they've had to take a number of buses off the roads because they did not meet the inspection by MTC. How often are these buses checked now?

Hon. Mr. Snow: What kind of buses are we talking about?

Mr. Haggerty: School buses. We'll get to the commercial ones later on.

Hon. Mr. Snow: School buses are required to have two semi-annual inspections, which includes a rather major inspection. In addition to that, they must have one complete brake inspection. That brake inspection can be done at the same time as one of the other inspections, and that brake inspection requires the wheels to be physically removed so the linings, cylinders, drums and everything, can be physically checked.

Mr. Haggerty: Who is the inspector in this case?

Hon. Mr. Snow: There are licensed inspection stations that may be a local garage (it may be the bus operating company). The school board, as far as that is concerned, could have their facility licensed as a licensed inspection station. In many cases, you see, many of these school bus companies have several hundred buses, and they of course have much better facilities to maintain and inspect those buses than a garage does. In fact I don't know where they would find a garage facility that would be capable of handling the volume of work involved to get the inspection done.

Mr. Haggerty: How often do the provincial inspectors get into the picture themselves?

Hon. Mr. Snow: We are on a rotating or spot check basis.

Mr. Haggerty: You spot check them?

Hon. Mr. Snow: Spot checks; they go in and double-check a number of buses that have been certified by the company involved. If everything is found in order probably not too many are checked. We don't check every bus. There are something like 10,000 or

11,000 school buses in the province of Ontario. Last fall when our new legislation came into effect on September 1 there was a considerable change in the legislation and in the requirements for inspection. The regulations were passed last spring, but you had to give the operators time to phase in. We were going to bring it into effect a little earlier, and then the industry asked if they could have the summer to get all their buses in shape, to get the inspections done and the certificates completed and so on. So the legislation became effective September 1. We have 109 inspectors as I recall.

Mr. Larratt-Smith: There are nine on a permanent station up at Downsview.

Hon. Mr. Snow: We have 109 inspectors, nine are at our inspection station at Downsview and the other 100 are throughout the province; doing spot checks on trucks, inspecting trucks at the inspection station, inspecting buses, doing spot checks on cars or whatever it may be. For about a three-week period before school opened, with our new program coming into force, we put practically our full resources, including a full 100 inspectors, into doing nothing but spot checks on school buses.

Mr. Haggerty: In that crash inspection program, then, how many vehicles were not permitted on the road? Do you have a count on that?

Hon. Mr. Snow: I am sure my staff has. The percentage is certainly not great, if you except the McLeod situation. That was a horror story we uncovered, McLeod bus lines at Stoney Creek.

Mr. Haggerty: They're in the Niagara Peninsula, I believe.

Hon. Mr. Snow: But other than that, there were very few.

Mr. Philip: Do you distinguish between doing checks on Greyhound, Gray Coach and on school buses? I would imagine, from everything I've heard, that there are very rarely any problems with the major transport companies.

Hon. Mr. Snow: Let's just not get into that for a minute. The program I'm talking about was for about a three-week period at the start of the school year. We had our 100 inspectors doing nothing else, in some cases working overtime doing spot checks throughout the province. Other than the McLeod situation, there was no serious infraction. There were a few buses, I think it was something like 30 or 40 buses that were red-tagged and had to have something done to them.

Mr. Cunningham: They had that many with McLeod alone.

Hon. Mr. Snow: But with McLeod they had that many alone. I think the member was out when I said the figures I mentioned did not include McLeod.

Mr. Haggerty: Excluding McLeod.

Hon. Mr. Snow: If you take the McLeod situation out, the balance of the industry was in very good shape. It all depends what you call a defect, of course; we're talking now about something that was a safety hazard.

Mr. Cunningham: Supplementary: I get the impression that until the McLeod affair, that accident that happened in August—

Hon. Mr. Snow: About the middle of August.

Mr. Cunningham: —there wasn't a great deal of concern.

Hon. Mr. Snow: We hadn't started to do spot checks; but there was concern or we wouldn't have changed our regulation.

Mr. Cunningham: I'm sure you were concerned.

Maybe the minister can confirm this for me, but I heard you rounded up all the inspectors and had a meeting somewhere here in the city, and laid down the law saying: "We better start taking a look at these guys across the province." Where was that meeting?

Hon. Mr. Snow: I don't know of any meeting. There might have been a staff meeting, I don't know.

Mr. Gilbert: We did do a spot check on the other types of buses, maybe that's what you're referring to.

Hon. Mr. Snow: After we got the school bus check over we had about three weeks in which I instructed our staff, although it meant taking men off truck inspections, to look at the buses. I wanted to be satisfied that when school opened after Labour Day those buses were safe. We quit looking at trucks for three weeks and put all our resources to work—100 men throughout the province, which isn't that many. We found things were in pretty good shape.

We had the situation in Quebec of an accident involving a non-school bus, so we were somewhat concerned about the condition of the other buses. After we finished the school bus spot check blitz and were satisfied that when school opened the buses were as safe as they probably could be, we put some of our resources to doing a number of spot checks on transit buses, highway carriers and private buses.

Following that I announced we would be implementing a program for inspections on all buses.

Mr. Gilbert: The minister announced he was going to do that survey and said he would be making further comments. I am sure that's what you're talking about.

Mr. Cunningham: Didn't you have 100 people come in to a meeting in Toronto, and wasn't there some sort—

Mr. Gilbert: No. Our people are regionalized and there would be no reason to bring them in.

As to looking at these other buses, our people have to come to an agreement as to what they are going to look at, that's going on at this time. As far as the school bus monitoring is concerned, if you want to call it that, we always knew that before September 1 we were going to have to take a good look to see how effective that program was.

Hon. Mr. Snow: This will be ongoing too. We won't be blitzing as we did for three weeks, we'll be doing ongoing checks throughout the year.

Mr. Cunningham: I'm glad you did, because we had a great deal of concern in my constituency, especially with the operation of McLeod. I don't want to rake McLeod over the coals here, but I think McLeod should be required to go before the board and show not why he should be able to keep his inspection licence but why he should be able to keep his licence, period.

Hon. Mr. Snow: He's already been referred to the board.

Mr. Cunningham: There should be a serious investigation of that. People have been complaining about this guy for a long time. The guy is fortunate there wasn't a fatality in the past.

[9:00]

The member for Wentworth (Mr. Deans) has been through it, and other members of the Legislature have been through it. We have heard some pretty invidious thing about the operation of this bus. One of the most serious charges I heard was a matter where a couple, who both drove for the outfit, were finally fed up with the standard and made a complaint to your ministry. Several days later they were fired. There's no point in reworking or rehashing this one, since it was four years ago. If I had been around then maybe we would have raised some hell, I don't know. I don't know what happened, but these people no longer drive for McLeod they drive for a private school. They used to go to the Buffalo zoo. I don't

particularly endorse school trips to the Buffalo zoo. We have got a pretty fine zoo here in Toronto and I wish if they were going to take trips they would go there, but in their wisdom they used to go to the Buffalo zoo. I think the last time they went, the buses were turned back because the Americans wouldn't take those buses. They wouldn't have those McLeod buses—

Hon. Mr. Snow: It's not just McLeod. They will not allow a bus into New York state unless it has a New York inspection sticker on it.

Mr. Philip: It probably had something to do with safety of animals.

Mr. Cunningham: I sure doubt that—

Hon. Mr. Snow: If you take a Greyhound, Gray Coach or GO Transit, or any other kind of a bus to that New York state border, if you don't have the New York state inspection you don't get in.

Mr. Cunningham: We have no reciprocal arrangements?

Mr. Haggerty: Does this apply to Ontario too, even now when you are permitting the new reciprocal agreements with the other states?

Hon. Mr. Snow: Those reciprocal agreements are for licence plates.

Mr. Haggerty: Is there nothing for safety inspection at all then? What you are telling me is there is no inspection made at our border on American vehicles coming in?

Hon. Mr. Snow: We are now implementing a total inspection system on all buses, similar to what we have on school buses at the present time. I hope to have that implemented by April 1 or thereabouts. It will take that long to get the plan developed, the information out, stickers and certificates printed and so on.

Mr. Haggerty: The 109 inspectors you have now, are they licensed mechanics?

Hon. Mr. Snow: Every one of them.

Mr. Cunningham: How often do they pull a wheel or take a look at the brake linings and things like that; get into some investigative study of the bus itself?

Hon. Mr. Snow: That's what they did on these inspections.

Mr. Cunningham: They did it on McLeod after the accidents, but were they doing it before? Is that the regular custom; or do they just get in the bus, drive it around to lot and see that it turns; then have a rough look at the tires and see if the lights are flashing?

Hon. Mr. Snow: The funny part is: you talk about the New York state inspections, but when we did the spot checks I asked the staff to do on the highway buses during the month of September, before I made a decision on the total inspection program, there were a number of buses we declared unsafe that had current New York state stickers on them.

Mr. Haggerty: Were they Greyhounds?

Mr. Cunningham: This is a concern to me, and it's not just the buses. This is an area in which I think Mr. Humphries might give us some guidance. I know he's very well aware of what's going on in the international area, at least between Canada and the US. I am concerned, quite frankly, that some of their vehicles may be unsafe, notwithstanding any reciprocal arrangements we have vis-à-vis licensing on class L which come in with temporary permits and cross through. Some of the vehicles licensed in the United States and operating under a reciprocal arrangement that come in here aren't safe. Some of the trucks we may see carrying hazardous materials have brakes that aren't safe; some of those buses travelling on our highways aren't safe. Have you done some kind of study on that?

Mr. Gilbert: We have our regional man from Hamilton right here. Maybe he might comment.

Hon. Mr. Snow: Spot checks are carried out on everybody's vehicle, whether they are US, Canadian, buses, trucks or cars.

Mr. Cunningham: That's fine, we have our rules and regulations here and the people who operate within the province understand what those are, with the exception of McLeod and maybe a few others most people try to live up to them; but this is an area of some concern to us.

Mr. Humphries: Mr. Cunningham, in our commercial vehicle inspection program, there is no difference between an Ontario resident vehicle and an American vehicle. We are checking those class L vehicles exactly the same way we are checking Ontario vehicles. We are finding faults with them and we are taking them off the road. As a matter of fact I wrote every class L operator recently about some brake problems that appeared to be coming up on certain types of tank vehicles.

We scrutinize closely what's going on there, just as we do with the vehicles in Ontario. There's no difference.

Mr. Cunningham: What are you doing with your associates, the registrars or direc-

tors in the various states, especially those where we do have reciprocity and where there is some reasonable movement? What are you doing with those particular individuals to see that some reciprocal arrangements vis-à-vis safety are established?

Mr. Humphries: We have not done anything at this point so far as checking buses is concerned. As soon as we have our bus checking standards laid down and know what our program is, we will enter into negotiations with these states for reciprocity in that area. But until the program is completed and fully developed we can't negotiate. We have to wait until that is done.

Mr. Cunningham: What about trucks? What are you doing there? We know we have had reciprocity with a number of states for a while. I commend you for it, and we are continuing to move to reciprocal arrangements with most of the states, but what kind of arrangements are being made with the trucking industry?

Mr. Humphries: I don't think there is the same opportunity for reciprocity on the fitness of trucks as there is on the fitness of buses. New York state has a bus standard which we would be looking to implement reciprocally, but in the truck situation American jurisdictions don't have a truck inspection program of the same standard as we have. There is not the area for negotiation there that there is for buses.

Mr. Cunningham: I find that disturbing. If an individual is licensed, say in Delaware—and I think you probably understand better than anybody here in the room that ability to get operating authority in that state may be a little easier than in most, I am just using it as an example—if an individual is licensed in Delaware and he doesn't get spot inspected by your people it is quite conceivable he could be travelling on our highways and roads in a truck which is unsafe and comes nowhere near our standards.

Mr. Humphries: That is the purpose of the spot check program. They know they are likely to run into a check and they are going to have to recognize—

Hon. Mr. Snow: We don't have any different standards, as Mr. Humphries has said, for US or Canadian vehicles, whether they carry PC plates or not. The same safety standards apply.

Mr. Cunningham: That is alarming. They can be a long way into our country and if the scales aren't operating or if your people aren't out—

Mr. Gilbert: That's why we have the inspection stations in what we feel are strategic places to do this type of thing.

Mr. Cunningham: Are they open 24-hours a-day?

Mr. Gilbert: Sometimes we are.

Hon. Mr. Snow: They all are on a rotating basis.

Mr. Cunningham: A lot of these guys are just waiting for you to close. Some of them have got your hours down.

Mr. Gilbert: Well we've done blitz checks too, at different times. We certainly don't run them at one time all the way through. We do change the hours and run 24-hour blitz checks three days straight—things like that.

Mr. Humphries: Let's say the state of Michigan has a truck inspection standard and the vehicles are identified as having met that standard. That check may have been done one month ago. Since that time a very serious defect could have occurred. You are putting reliance on evidence of a check that is not reliable for any length of time.

With those trucks on the road every day something can happen easily in a month. So even if they have been checked it's not absolutely certain that vehicle is going to be safe. Whatever check program we have it's still the responsibility of the operator to make sure that vehicle is safe. That is what you really have to rely on.

Mr. Cunningham: Mr. Humphries, I think we understand that. You have now indicated there are going to be twice-a-year inspections of all buses. That is a great idea and it would be a hell of a lot better if they weren't inspected by their own companies. I think you probably agree. I just put words in your mouth there, I'm sorry, I didn't mean to do that; Mr. Gilbert doesn't agree.

Mr. Gilbert: I like the onus, the responsibility, to be on the owner.

Mr. Cunningham: I can see the legal responsibility on the owner. I started off on supplementary to Mr. Haggerty's question and I've digressed.

Mr. Chairman: It's a long one, I'll tell you.

Mr. Cunningham: It sure is, and I'm sorry, I'll conclude, but I want to leave this with you: I think you've put the mechanic from McLeod Motors or any other company in a very difficult position, you can't serve two masters.

Hon. Mr. Snow: I don't agree with you. Mechanics are professional people. They have

a reputation to live up to the same as a doctor or a lawyer or anybody else.

I won't say what happened at McLeod. There's no doubt that—well, this is still before the courts, perhaps I shouldn't be remarking. There have been mechanics at McLeod's who were charged with infractions for signing certificates for vehicles which obviously were not safe. I'm not saying that didn't happen in that case.

I can cite you another case—I won't mention any names—where a number of vehicles were in a garage. The mechanics were asked to certify them and they refused to certify them. The owner took the vehicles to a different garage, still owned by the company, and asked the mechanics at that garage to certify the buses and they refused as well. The buses have since been taken off the road.

As far as I know, those mechanics at both those garages weren't all fired because they said the buses could not be certified.

Mr. Cunningham: I think you've put the mechanic in a very difficult position, I really do. In the northern areas or in the rural areas, as I said the other day, some kind of arrangement can be made, but in the large metropolitan areas, where probably 90 per cent of the bus traffic goes on anyway, it should be independent; and the independence of that inspection process should be completely removed from ownership of the company.

Hon. Mr. Snow: The information I have is that the inspection stations, whether they are run by the operators or the mechanics, or are separate, are all taking this inspection program very seriously. There was one bad apple that cropped up last summer, but that doesn't make the whole barrel bad in this situation as far as I'm concerned. When we got into the concerns regarding the commercial bus business—not the school buses—we then met with the motor coach association, and the transit operators' association and told them what our concerns were. In fact I had some correspondence from some of the major operators offering assistance or cooperation if we wanted to set up a program.

The only thing we've not as yet been able to do is follow the suggestion of the commercial operators who cross the border with their buses to the effect that our inspection program be negotiated with New York state. Apparently, a New York state certified bus can go anywhere in the United States with that certificate. So if we can work out a certificate program compatible with New

York state's and get agreement with New York state, then supposedly an Ontario certificate on a bus would let that bus go anywhere.

We are going to work toward that. I wanted to implement this program as quickly as we could, because we did find some problems; not with the major operators—they're basically in excellent condition, as are most of the others—but we did find some problems with transit buses. You people in the peninsula know that in St. Catharines we took eight buses off the road when we did the inspection. These were nearly new or fairly new transit buses. I don't know exactly.

The town of Milton has a total of three buses. They're not owned by the town, they're contracted for by the town; four miles from where I live. I think they have three buses. We took two of them off the road, so that interrupted their schedule for a day or two.

Mr. Cunningham: Right under your nose.

Hon. Mr. Snow: We did find enough problems to convince me without a doubt that we should expand this program. I think it's being very well accepted.

There's another area that concerns me too. It may be one that causes us as members of the Legislature more problems than any other.

[9:15]

Mr. Cunningham. What's that?

Hon. Mr. Snow: That is the private buses that are owned by churches, the Red Cross, the YMCA, services clubs and so on.

Those buses tend to be individual, one or two buses. They tend to be used school buses that are bought. They may be in perfect condition, I don't know. It may be that we get a little flak when we take the church bus off the road because it's unsafe. To me, whether that bus is hauling kids to Sunday school or to kindergarten or to high school or to the football game they should all be safe. I'm prepared to take that flak if it comes.

Mr. Philip: The longer you talk the more I'm convinced that the Germans and the Belgians have come up with the system, which is that you license certain companies that divest themselves of any interest in the transportation industry; you license them as inspection stations and you require inspections. The owner of the vehicle pays a fee for that. Those companies are profit-making companies, they're not government agencies. They simply issue a certificate and if you don't meet those standards then you go out and—

Mr. Watson: That's a profit-making private organization, that's what it sounds like.

Mr. Philip: Maybe once you're around here a little bit you'll understand that the NDP is not against profit. As a matter of fact, some of us have made a lot more profits than some of you fellows have in business.

Mr. Chairman: Mr. Kerrio, you didn't want to ask a small supplementary, did you?

Mr. Kerrio: Yes, a small supplementary. I suppose for all practical purposes the fact that somebody pulls one of those vehicles apart and rebuilds the whole bottom, and then puts it back together, the practical thing is to license it. To be inspectors then, if you have to pull it all apart and check it, that costs a great deal of money and time. Have there been many instances where those licensing stations have had their licences lifted? That's the ultimate level, is it not?

Hon. Mr. Snow: There are two actions. In the McLeod situation—and the staff can correct me if I get off track here—we went in and did inspections. I guess it started off after they had the accident with the bus.

Mr. Cunningham: Which accident?

Hon. Mr. Snow: I don't know what you're referring to. There's only one. The accident that brought the McLeod thing to the public's eye was when one bus ran into the back of the other bus on the YMCA trip.

Mr. Cunningham: That's accident number one.

Hon. Mr. Snow: They sent out three different buses the next day to replace those three apparently, or two to replace those two. Someone got concerned and called us and we sent an inspector out to wherever they were and looked at the buses and took them right off the road. They sent out another one and we looked at it and took it off the road. Obviously there was something wrong. We went into their place of business—

Mr. Cunningham: Where they were licensing?

Hon. Mr. Snow: —their licensing station and started inspecting buses. We went right through their 180 buses and took about 80, if I remember right in just rough figures, and red-tagged them so that they could not go on the road until the repairs were made.

Then we started checking the certificates, and I recall seeing one of these reports where a bus was certified about a week before we inspected it. It had a signed certificate, signed by a mechanic saying that the bus was certified, saying that the brake check had been done. We pulled the wheels off the brake. From the odometer the bus had travelled 14 miles since the inspection and when the brakes were checked the brake linings were

worn right down to the rivets. You know that if a bus that's only been inspected a week has only gone 14 miles, the brakes haven't worn out. Obviously someone signed that certificate either without doing the proper inspection or fraudulently signed it.

Mr. Cunningham: A lot of hard driving.

Mr. Kerrio: That's what I asked him.

Hon. Mr. Snow: In those cases charges have been laid against the mechanic who signed that certificate. It hasn't come to court yet I don't think, has it?

Mr. Wood: Many licences have been revoked. We can give you that figure, maybe I have it here. I can't find it, but many licences have been revoked.

Mr. Cunningham: You mean the inspection licences?

Mr. Wood: Right.

Hon. Mr. Snow: Other than McLeod, have we revoked school bus operators? Have we revoked any of the other ones?

Mr. Wood: I am speaking to the licensing inspection stations.

Hon. Mr. Snow: Those are the service stations that do cars and everything?

Mr. Wood: That is right.

Hon. Mr. Snow: Oh, yes, many of those have been revoked. At that time, when we found this situation, the ministry official took the appropriate action. The law gave the man his day in court. They called McLeod before the licence suspension appeal tribunal for the inspection station, charges were laid under the appropriate legislation against, I believe, three or four mechanics and also I referred the matter to the Highway Transport Board to hold hearings and ask McLeod Motors to show cause why its public vehicles licence should not be revoked. I don't think that hearing has been held yet.

Mr. Philip: Eric and I twigged you were on to something when we both got campaign donations unsolicited from a guy named McLeod or something.

Mr. Cunningham: The hell we did. If we can have just one further question on that.

Mr. Chairman: This is a supplementary, Mr. Cunningham. This has been supplementary night, I must say. We are still on the same question.

Mr. Cunningham: Don't you find it odd and this is just a commentary, that you would have four mechanics in one place goof off I guess, or slip like that? I have to think that the pressure was on those four ind

riduals. I really do. If you look across the province, in how many situations would you go into such a facility and find that you have four bad ones? I don't care whether it is Ottawa, Windsor, Kingston, wherever. You go in and you have four or five bad apples in one place. I just have to tell you, I really am sympathetic with those guys. They did the wrong thing maybe, that may be determined in the future as a result of the charges, but I just have to think they were getting a great deal of pressure from Gil McLeod. In fact, I know they were.

Mr. Gilbert: I don't think you should judge them all on the McLeod situation. Quite frankly, I am sure you would have to agree there are an awful lot of good operators in this province.

Mr. Cunningham: The guy who handles half of the county, the former Mr. Norton who was on the transport board, ran a pretty smart operation and now it is owned by Travelways. I want to tell you, Travelways is a pretty smart operation. If, for any reason, a certificate was pulled or they wouldn't get the buses back on, I would think my county board would have been calling the people at Travelways asking if they could look after us for a while.

Mr. Gilbert: I think this applies too. We have had to lift the licences of a lot of inspection stations, but at the same time there are an awful lot of good inspection stations that back up their mechanics and in talking to a lot of these mechanics, as I am sure you do, and I do, they get full support of their management. There is just not the pressure on them.

Mr. Cunningham: No question. I just want to say this to you. It is a cyclical kind of thing. We have raised a lot of hell, there have been a lot of headlines, and no doubt we had taken a tour of all the bus operations the next two days or three days after the controversy and the headlines, I bet you would have seen in some of these bus operations and in some of the garages, a shift working at midnight getting these buses in good shape. I have no doubt the owners of these companies would have been saying: "Well, we had better take a look at ours too."

As soon as things die down, maybe a year from now, two years from now, three years from now, notwithstanding the fact there will be twice-a-year inspections, the same kind of thing is going to occur. It is an administrative problem. It is a structural problem. The main thing is you have the poor mechanic in a position where he has to serve two masters. He has to serve his em-

ployer and he has to serve provincial statutes. It is not the healthiest situation to be in.

Mr. Gilbert: We have our regional man from Hamilton who is right out there talking to mechanics. I would just like to ask him that question. Has any mechanic expressed the pressures that are on them?

Mr. Wake: My name is Paul Wake, No. In talking to these people, none of them complained about the problem of serving two masters. Now and again we do get the individual who has overlooked a particular component or some part of the inspection. In most cases there is a charge laid and most of them are willing to live with it. They admit that they've overlooked it and are willing to live with that. The other ones that go out and sign anything at all, well that's a different individual altogether.

Mr. Chairman: Mr. Ziemba, did you have a small supplementary? Very small.

Mr. Ziemba: Just a brief supplementary, yes. Does your ministry ever circulate pamphlets to the mechanics advising of the consequences of allowing sloppy work or allowing themselves to be pressured by management? Is there any regular contact kept up with them?

Mr. Wake: Every mechanic who has the signing authority in an appointed station is issued a manual by our ministry and it's updated by our employees when they go around to conduct an audit of the station and yes, they are advised of the consequences and also any changes that take place, the amendments are in their manual.

Mr. Chairman: Mr. Watson, did you have a little supplementary too?

Mr. Watson: Well, it concerns safety of school buses.

Mr. Chairman: That's what we're on.

Mr. Watson: Is that the subject?

Mr. Chairman: Yes, we'll classify that as a supplementary for 30 seconds, right.

Mr. Watson: There was quite a rumour a few years ago about the colour of school buses and whether or not we're going to have to have a standard colour. We had a case down our way where a bus that was painted the same as a school bus was picking up construction workers and the kids thought it was a school bus. I know there are pros and cons from an economic point of view. For instance, in our part of Ontario we used school buses for corn de-tassellers all summer, and if we couldn't use the school buses for that kind of thing I'm sure the costs of that operation would go up. The buses aren't being used for school at that time

anyway. It was a concern, and yet I see the other side of the picture where it would be nice to have school buses one standard colour. Can you bring us up to date on what's been done in that regard or any thoughts that the ministry has?

Hon. Mr. Snow: School buses are required to be the chrome yellow colour and when they cease to be a school bus I believe they are painted another colour. You could use a school bus as a regular bus.

Mr. Woods: You can use a school bus for other purposes provided you cover up the signs.

Hon. Mr. Snow: That's why they have those fold-down signs.

Mr. Watson: That's been settled? That's standard?

Hon. Mr. Snow: Normally if a construction company, for instance, buys a used school bus to haul employees to jobs or something like that, or the churches and service clubs and hockey clubs and so on buy used school buses for their own purposes, they are required to paint them, are they not?

Mr. Humphries: It can't be all black and yellow.

Mr. Watson: How do you differentiate between them and the school bus that's being used for a hockey team?

Mr. Humphries: The bus that is black and yellow must be used for school purposes at some time during the year. You couldn't deprive them of the benefits of the use of a school bus when it's not in operation as a school bus, say in the summertime.

Hon. Mr. Snow: You could, but it would be costly.

Mr. Watson: That was my concern. I heard rumours that you had thoughts in that regard.

Hon. Mr. Snow: Once a bus ceases to be a school bus and used for school purposes as its main purpose then it's repainted.

Mr. Watson: As long as it's used for a school bus then if you cover up the sign you can—

Hon. Mr. Snow: You cover up the school bus sign and then you can use it for charter trips for the hockey clubs and for certain other purposes.

[9:30]

The buses that were in the McLeod accident were not school buses and did not come under the school bus legislation at the time of those accidents, it is my understanding.

They were chartered buses. They were yellow school-purpose buses that would have probably been used for school when school went back in, but during the summer they were chartered to the YMCA. The Hamilton YMCA had chartered these buses and were supplying their own drivers if I recall, to haul these kids to camp.

Mr. Watson: Let's move in the other direction then. Can a company use a commercial bus as a school bus in these circumstances? I mean it might not be painted the right colour.

Hon. Mr. Snow: Let me get that straight.

Mr. Watson: We have in our part of the world Chatham Coach Lines. They have a fleet of highway buses, they have a fleet of city buses and they have a fleet of school buses. If the school bus isn't available for some reason, can they put a city bus which isn't yellow and black on the school bus route?

Hon. Mr. Snow: On a rural route? Can they do that?

Mr. Humphries: Provided the school board will allow them to do it. They can use a non-yellow bus to transport school children but they couldn't have the benefit of the stopping rule.

Hon. Mr. Snow: It's seldom done. Regarding the TTC for instance, a lot of kids in Toronto ride to school on TTC, and they don't have the protection of the rule.

Mr. Watson: But that's the TTC running that. I'm thinking of a bus company which operates all three classes of buses. Some times they've got three or four school buses and they're all going to visit the Parliament Buildings here or something. The school buses are out of town. They send the school buses on the charter and the city bus has to go on the school bus route or something of that nature. I don't think it happens very often.

Mr. Chairman: All through, Mr. Watson. Mr. Haggerty, thank you very much for being so patient.

Mr. Haggerty: Well, thank you, Mr. Chairman. I didn't think you were going to get back to me.

Mr. Chairman: We'll charge the time to you, it's all right though.

Mr. Haggerty: Okay then. I was going to discuss the matter of commercial buses. Is there a complete log kept by your ministry or is there a check made on the bus owner on the logs of these vehicles? For example you can take the Gray Coach Lines, or Gre-

ound Lines, and you know they can drive that bus almost year-round and they have perhaps one annual inspection. They can put on 200,000 or 300,000 miles without having the proper safety inspection made, particularly to the brakes.

Hon. Mr. Snow: Right now, Ray, at this moment, on any bus other than a school bus in Ontario there is no requirement for an annual inspection.

Mr. Haggerty: No requirement?

Hon. Mr. Snow: There never has been. A school bus, yes. I met with the industry a few weeks ago and I announced we were going to implement—

Mr. Haggerty: Regulations?

Hon. Mr. Snow: —regulations; a bus inspection program similar to the school bus program, calling for inspections every six months, and a brake inspection every year. Now talking of log books, I think certainly many of those responsible operators who are driving highway buses keep a log of the bus or their own purposes, for maintenance records alone. But we amended our regulations in the legislation.

Mr. Haggerty: Well, I travel—

Hon. Mr. Snow: Well, just a moment, let me finish. We now require a log book for school buses whereby if a driver takes a bus out on a route and finds out there's something wrong with that bus, he or she is supposed to enter that in the log and report to the shop. The mechanic who fixes that is supposed to note the repair has been made when the driver comes in the next morning, he can look at his log and see that the repair is made.

Mr. Haggerty: I travel on occasion with Gray Coach Lines, and I notice up on the front of the bus, they say your next check will be at 157,000 miles. That's perhaps all there is. Maybe they change the oil in it or grease it or something like that but I don't know if they get into a detailed inspection.

Hon. Mr. Snow: All the major companies have preventive maintenance programs and those buses come in every so often for maintenance.

Mr. Haggerty: It might be just for minor things such as a grease job or something like that, but I have confidence in the Gray Coach drivers themselves. If there's something wrong with that vehicle they will not take that bus out.

Mr. Gilbert: The whole thing is, Mr. Haggerty, we can't assume that good inspection hasn't been going on just because we haven't

had the inspection program in there. We discovered from our spot checks that a number of companies have good inspection programs in place. As the minister said, sufficient situations arose that he felt we should go ahead with this program but at the same time, we have to acknowledge Gray Coach and a number of these companies certainly have good travel ways. Mr. Cunningham was talking about it earlier. A number of them have good inspection programs in place and I'm sure it's not going to be any great difficulty to them when we bring it in. As the minister said earlier, one of the companies even suggested that we bring in the same regulations for commercial buses as we have done for school buses.

Mr. Haggerty: And that will take in the GO buses too, I presume?

Mr. Gilbert: And GO buses.

Hon. Mr. Snow: When we started the blitz inspection in late August, we had a request from the executive of the School Bus Operators' Association of Ontario to come in to see me. They did two or three days later and they were in full support of the program and in full support of the check because they, as responsible operators, were concerned because of the publicity of the McLeod situation. They wanted our intensive spot-check program so we could assure the public that their buses were safe.

Mr. Haggerty: What inspections does your ministry do on new vehicles coming off the assembly line? This is an area we seem to neglect. We depend on these vehicles meeting the criteria under the federal regulations.

In 1977, I brought a problem to the attention of the minister at that time. I had bought a new car. By luck, I got the Firestone tires on it. At around 9,000 miles, something went wrong with the car. I couldn't find out what it was and I thought it was due to the ice conditions during the winter months. I had a notion to take it to the ministry department to have the transport inspectors check it out. I bought it in the fall and in the spring of the year I found that the bead on the tires had shifted. They had gone almost like a snake and it caused the car to go up the road with a shimmy on it. I wrote a letter to the Ford Motor Company complaining about it. They said, "It's not our obligation—or our responsibility. It's the responsibility of the manufacturer of the tires."

So I took the tires to the Firestone dealer in Niagara Falls and the chap was very generous. It cost me a little bit to have an exchange put on. I had another set of Fire-

stone 500s put on it. Then one day, travelling back from Toronto, I got off the Queen Elizabeth and that car jumped about four feet. I couldn't figure out what made it do that. Then the thump came back into the car and I thought, those tires have gone again. Sure enough, the tire had let go. In less than 30,000 miles I had put three sets of Firestone tires on the car. The last time the tires were changed I think 721s were put on. I got rid of the car. But the Firestone people were very good. They replaced the tires. At the last stage, they replaced them at no cost at all.

Mr. Ziemba: What year was that?

Mr. Haggerty: It was a 1976 Ford and I bought it in the fall.

Hon. Mr. Snow: You can have all kinds of experiences. I have a 1976 or a 1977 Cougar at home and we have Firestone 500s on it. I keep watching them. My son keeps putting so many miles on it I can't keep track, but I think there are about 40,000 or 50,000 miles on that car and we haven't had one problem with those Firestone 500s.

Mr. Haggerty: You must have been one of the lucky ones. I wasn't one of them.

Hon. Mr. Snow: They're almost ready to be replaced now because they're worn out.

Mr. Haggerty: But if I had been on the Queen Elizabeth when that car jumped that much, it could have caused a serious accident.

I know the complaints raised in the United States.

Hon. Mr. Snow: To go back to your question, we do not inspect new cars coming off the assembly line. The Canada Motor Vehicles Safety Act is responsible for specifications and control of new vehicles. Once that new vehicle goes on the road, then it can be subject to a spot check or going through a safety lane, the same as a 10-year-old car. If that car goes out to be a demonstrator and 5,000 miles are put on it and then it's sold to somebody, it has to have a safety check. Regardless of whether it's got 1,000 miles or 10,000 miles on it, before the licence can be transferred, it has to have a safety check.

Mr. Haggerty: Well, I had a number of difficulties.

Hon. Mr. Snow: That safety check only states that that vehicle was safe at the time of that check. Periodically, I have letters from people saying: "I bought a car from so and so three months ago. It had a safety certificate but now I find it has a leaky brake cylinder, so I must have had a faulty safety certificate." That brake cylinder might

have been 100 per cent AOK when the inspector did the inspection. It's not a guarantee that is given at all. It states that the car was roadworthy at the time of the safety check. We all know that a car can be roadworthy today but you can take it out on the road and can have a mechanical problem that would make it unroadworthy when you get 10 miles down the road.

Mr. Haggerty: I found that this car, particularly because of its front wheel brakes disc brakes, for unknown reason seized up and I had difficulty with it. Anyway in my letter to the Ford Motor Company I said I wasn't too happy with the Ford car. I've always been a Ford man but I said I'd find other alternatives, which I have found today.

Hon. Mr. Snow: I hope it's still a Ford.

Mr. Haggerty: No, it isn't.

Mr. Cunningham: I hear you're getting rid of your Ford. You're buying a Chrysler.

Hon. Mr. Snow: Which one? He's got about five of them at home.

Mr. Haggerty: They stood behind their guarantee.

Mr. Watson: Maybe it's the Firestones you should get rid of. I had an experience with a Firestone. I was driving a government car when I had a tire go. I took it back and they gave me an adjustment of \$22. Then when the tire wore out, I went the regular route, which was through MTC in Chatham to get a replacement. They sent me back to the same store where they put on a brand new tire, and the cost was \$16. That was about three or four years ago. The adjustment price was \$22 where the price of a outright sale on a new one through the government was \$16.

Mr. Haggerty: They stood behind their warranty and replaced it.

Mr. Chairman: Have you any further questions, Mr. Haggerty?

Mr. Haggerty: I have one more question now and it concerns the announcement made by the Minister of Consumer and Commercial Relations on the matter of—

Hon. Mr. Snow: Which one?

Mr. Chairman: Federal or provincial?

Mr. Haggerty: —having alcoholic refreshments on buses. I was just wondering what the minister's position is on that. Is he in favour of it, perhaps on the hostess bus?

Hon. Mr. Snow: I hadn't heard my colleague make that statement until I heard it being discussed in the House today.

Mr. Haggerty: He made the statement that he thought they should have alcoholic beverages.

Hon. Mr. Snow: I think he explained his position in the House today very well on that. He was referring to these charter trips where they go away for a week or two weeks at a time. I have no objection or no comment. It wouldn't come under any of our legislation. As long as they don't start serving the driver, I would have no concern. Have you never been on a bus where they had beer?

Mr. Haggerty: Never, never, never.

Mr. Cunningham: He's a teetotaler.

Mr. Haggerty: Not even tea.

Mr. Cunningham: It's mandatory in our election campaign. No beer on the bus.

Mr. Haggerty: Those are all the questions have.

Mr. Philip: I wanted to get into a couple of other questions on school buses. The suggestion has been made by the provincial Council of Women that emergency first aid kits should be on buses. At times when there is a small accident, if at least the driver has first aid training and if there is some equipment—

Hon. Mr. Snow: That's a requirement. There can't be a school bus operating—at least not legally—without a rather comprehensive first aid kit on it.

Mr. Philip: School bus drivers are trained to use that kit or have first aid training?

[45]

Hon. Mr. Snow: We tried to get that through but we didn't make it.

I brought forward a regulation requiring that every school bus driver have a St. John ambulance course—not an extensive paramedical ambulance-driver's type of course.

Mr. Haggerty: First aid.

Hon. Mr. Snow: I think they call it the eight-hour course or something like that. I wasn't able to get that passed.

Mr. Cunningham: What stopped you?

Mr. Philip: What stopped you from getting it through?

Hon. Mr. Snow: There were objections from boards of education, school bus operators and the Ministry of Education.

Mr. Cunningham: Tough bananas. That's a easy thing.

Mr. Gilbert: As I recall, there were questions about the whole business of when the courses would be available and the administration of enforcing that type of thing. Do

you hire somebody? They were talking about people leaving.

Hon. Mr. Snow: Liability too. There was concern about liability, if a driver was required to have that training and then gave some treatment.

Mr. Philip: That's surely a red herring in Canada. That's the kind of thing I think might be a valid argument in the States where they have all of these lawsuits.

Mr. Haggerty: In many cases they have the Good Samaritan Act that gives them some relief.

Mr. Cunningham: The Haggerty bill.

Mr. Philip: Right. In fact, in Canada there hasn't been one court case, including so-called malpractice by doctors, nurses and trained medical personnel who have stopped at the scene, that has ever stuck in court. That's hardly a valid argument to use, since we haven't ever had anybody successfully sued under that.

Mr. Gilbert: I know we had considerable discussion.

Hon. Mr. Snow: We gave a lot of thought to it. We had it in our package of school bus legislation two years ago. In the number of meetings and procedures we go through in developing new legislation before it gets to the Legislature, that was one of the items we didn't proceed with.

Mr. Philip: Would it be worthwhile pursuing it again or including it, not only in the regulations but perhaps in one of your upcoming bills so that it is spelled out in that way? I realize you don't have to do it in that way.

Hon. Mr. Snow: I believe it was agreed at that time that the Minister of Education would issue a recommendation to all boards of education to encourage their drivers and try to arrange and make available to the drivers in their systems a first-aid course on a voluntary basis, but we did not legislate it as mandatory.

Mr. Cunningham: I'll bet they're not doing it.

Mr. Philip: I don't believe you have answered me on one of the issues I brought up in my lead-off statement concerning two-way radios in school buses. Is there any requirement for that? I know many of the school buses do have radios.

Hon. Mr. Snow: Many of the operators, especially in the rural parts of the province, are now going to them. I know I had a call from one of the operators about a year ago asking for some assistance in trying to expe-

dite the licence they required. They had to apply to the federal Minister of Communications for a licence for their base station and to allow them to get a designated channel. This does take a period of time. This particular operator wanted to get his radios in before winter. I think I contacted the federal Ministry of Communications and asked them to expedite the licence.

We have not legislated the requirement for radios. I don't know whether we could or not. Again, it's something that is a definite advantage in many cases; perhaps it is not necessary in others.

Mr. Philip: One of the issues that I guess relates back to what we were talking about before concerns the fact that the major number of accidents occur not when the school bus is in motion, but when it is stopped.

One suggestion that has been made is that when the driver reports a person who has passed him when his lights are blinking, he simply identify the car and number rather than the person. I realize that this isn't exclusively within your ministry. It gives me some concern because I guess it goes against some of the principles of justice in which I believe. Have you had discussion with the other appropriate minister?

Hon. Mr. Snow: We've had many suggestions that this be the case, but for the reason you have given, the general principle of justice, you have to identify the offender. I'm not sure it would stand up in court. It would be very difficult to prosecute on the evidence that a car number XYZ 326 or some such number passed them. And it's against most of our principles of natural justice.

Mr. Philip: I wonder if we can move from school bus safety to some of the other safety areas.

You will recall that I was concerned at the time we were bringing in our weight regulations regarding balloon tires. You were to look into some of the larger tires reported to have been used on European highways that have the advantage over the dual tire system, although they are not legal in this province. Can you report back to us on any of your findings on that?

Hon. Mr. Snow: They certainly are legal.

Mr. Philip: Not by weight. You've outlawed them according to weight.

Hon. Mr. Snow: We were discussing weights. It's not a case of them being legal. At that time, I offered the full co-operation of the ministry and our test facilities to work with the manufacturers of these tires rather than accepting something holus bolus that had not been tested under our conditions.

I think Ian Campbell, our executive director of the research area, is prepared to discuss that when we come to our research vote. Unfortunately, he isn't with us tonight.

Mr. Philip: Fine. We can do it then.

Mr. Gilbert: We have issued permits for a couple of companies as part of this demonstration. But as the minister said, Mr. Campbell was here for the research vote and it was put off until the UTDC matter was dealt with so he is not here tonight. We can talk about that further when he is here.

Mr. Philip: Fine.

Hon. Mr. Snow: I mentioned the other night, I don't know whether the member was here, the research we have done on steerable trailers and other things at our research facility up at Huron Park. We have been doing a considerable amount of research on that too.

Mr. Philip: So when he is here we can deal with that.

Hon. Mr. Snow: They are the steerable centre axle on the three-axle trailers and the steerable rear tandem which allow the trailers to track better and provide for less tire wear, less pavement scruffing and better manoeuvrability. We've been doing testing. The physical tests are complete and we're expecting the report about the end of the year on that project.

Mr. Philip: I get complaints every time a truck overturns. It makes the Sun and sometimes even some of the other newspapers. There has been at least one a week recently on the QEW, for some reason. Of course, as the transportation critic and as a Metro member, I get phone calls saying "Why don't you get those pups off the road?" and so forth. I have to go through the whole explanation, saying, "Well, it is quite that simple. Some of those are safe from what we can understand, but other perhaps the older models which haven't been perfected, may pose some kind of problem."

It would be useful if we could have some research that at least shows us some direction in that.

On that matter and on a related matter and I'm willing to leave it to another vote one of the claims is that some of the repair shops that work on the trailers do not use very many qualified mechanics. As I understand it, the act says one mechanic to two apprentices. I've been informed that certain large companies that operate on truck trailers in the west end of Metro Toronto do not have that kind of ratio.

The large trucking companies, as I understand it from talking to some mechanics and some people in the field, do their own repairs and therefore it isn't a problem. It's that tall fellow who has between two and three trucks who takes his trucks into one of those large repair shops where some of the companies complain they have problems with them. A couple of mechanics came to me who work for these people and they claim there are quite a few stories in the field about counterfeited mechanics' licences that are being used in certain shops. I'm wondering if you've had reports on it.

I don't want to mention the company although I can give you the names of the people who have given me the reports. I don't want to cast suspicion on somebody unless I know something for a fact.

Hon. Mr. Snow: I wouldn't want you to mention it here but, if you have any reports of a serious nature that you think require investigation, if you would send them to me confidentially we would be prepared to investigate them.

When you're talking from a practical standpoint, when you're talking about people who work in shops repairing trailers, from your knowledge of the business they wouldn't have any means necessarily all need to be mechanics. In the case of the people who repair trailers a lot of them might be welders or carpenters who fix the racks or people who repair the tarpaulins or the floorboards. I think they're working on the automotive mechanical part of it, the brakes or something, they should be licensed mechanics. But a lot of trailer repairs are just tin bashing or other types of work.

Mr. Philip: As I understand it, certification has to be done regularly on the cab but not on the trailer. Is it correct that you don't do safety inspections on the trailer? I know you check weights.

Hon. Mr. Snow: Oh, yes, definitely, safety inspection is done on the trailer.

Mr. Philip: So the brakes on the trailer and so forth are checked as frequently as on the cabs?

Hon. Mr. Snow: By all means. When a check is done on a unit, the hitches, the fifth wheel, the pintle hooks and all this type of thing are checked when a safety check is carried out. Maybe some of the members would like to comment.

Mr. Humphries: You're absolutely right.

Hon. Mr. Snow: I'm told I'm absolutely right. It's nice to have staff like that.

Mr. Philip: The trailer then gets as much of a safety inspection as the cab does?

Hon. Mr. Snow: Yes, I would say it certainly does.

Mr. Philip: One last question on this vote. The member for Beaches-Woodbine (Ms. Bryden) brought to my attention that she's had some complaints from motorcyclists who claim there's no system whereby they can obtain their licence by going to the motor vehicles branch and taking their test in the evening. Is that the case in the Metro area?

Hon. Mr. Snow: I would say it's probably the case in all areas whether you're a motorcyclist or a car driver or a truck driver.

Mr. Philip: I thought it was possible for automobile drivers to get tested in the evening. There are no tests in off-hours?

Hon. Mr. Snow: No, I don't believe so. They're the normal eight to 4:30 type of thing.

Mr. Humphries: It varies a bit. Generally it's eight o'clock.

Hon. Mr. Snow: Most of the offices try to set up specific days for motorcycle tests, because the rigging has to be set up to do it, and it's only at certain times of the year when they're busy with motorcycle applications but in the middle of January they don't do very many motorcycle tests.

Mr. Gilbert: Maybe that is what she's talking about, the fact that someone had to come on a special day or at a special time or something else.

Mr. Philip: Yes, she said she's getting complaints that they've had to take off work at specific times and that this is sometimes difficult. I haven't had any complaints from my riding on this particular matter but I told her I'd raise it with you.

Mr. Cunningham: Just get Marion a licence.

Hon. Mr. Snow: Even I had to make a special appointment to get a test for my motorcycle.

Mr. Philip: Some of the motorcyclists in my riding just content themselves with making noise on the hydro corridor beside my window every night.

Mr. Chairman: Are you all through, Mr. Philip?

Mr. Philip: Yes, but I'll probably have some supplementaries on Mr. Cunningham, because he always stimulates something that I want to get into.

Mr. Cunningham: I have a few more questions.

Mr. Chairman: Would you care to stimulate vote 2503, Mr. Cunningham?

Mr. Cunningham: I had a few more questions on school buses. I just want to follow up what Mr. Philip said. I would hope that we would take some renewed interest with regard to getting the school bus drivers qualified with regard to first aid. I think that's very important. I don't think it's too much to ask from anybody who has a responsibility for a lot of people; not only school bus drivers, I think bus drivers in general should have that kind of training. I think it would be very helpful to them. I want to talk very briefly about a couple of things that I would hope would be done and encouraged. One, of course, is—

[10:00]

Hon. Mr. Snow: First of all, may I say I personally agree with what you're saying and I'll keep working at it.

Mr. Cunningham: Let's give it one more go, because I know you have the support to do it and I think it's necessary.

One thing I'd like to comment on with regard to school buses is that I think the time has come when we start to—and I know the standards are a federal matter, but the money and the clout, the moral suasion that you especially, Mr. Minister, have is extraordinary—not to be gratuitous, but I would hope that somehow we could make some strides very quickly to improve the quality of these things.

Mr. Philip: Bring them all up to the Eto-bicoke standards.

Mr. Cunningham: At least, at the very minimum. These vehicles are not in any way as technologically advanced as they could be. I know there's a cost aspect here but I think we just have to improve the standards on these things. I'm thinking now about padded seats, the better quality seats, the way that the seat is fixed within the bus, the design of the bus itself. These buses get hit broadside and they're just like large tin cans on wheels. We exact a much more stringent standard with regard to the quality of trucks, and the movement of fluid milk or gasoline or cement or fertilizer in a truck. The standards, as far as those vehicles are concerned, are much more stringent.

Hon. Mr. Snow: You said this before, Eric, and I don't know where you get this idea but—

Mr. Cunningham: Maybe Mr. Humphries knows where I get it.

Hon. Mr. Snow: —the D-250 standard, when was that brought in?

Mr. Larratt-Smith: The D-250.1 is the latest standard.

Hon. Mr. Snow: We work with the federal government on these standards committee and the D-250 standard is a considerably higher standard than the previous one. The ones on the padded seats—is that the D-250.1?

Mr. Humphries: Yes, they're the best.

Mr. Larratt-Smith: Yes, the D-250.1 includes padded seats. I believe the D-250 also included padded seats. The D-250.1 is a large bus standard and is the latest standard. It's a CSA standard and it's ahead of any thing that had been passed in the United States up to these recently promulgated standards that the Americans have been promoting and now are being proposed in Canada by the federal government.

Mr. Cunningham: That's great. I commend the implementation of it.

Mr. Humphries: There is a suggestion from some quarters that this school bus is not a safe vehicle. But, if you talk to some automotive engineers, they will tell you the school bus is a safer vehicle than is the highway cruiser. If it rolls over, there is more strength in the roof and in the total body of the bus to protect the occupants; whereas the highway cruiser is all glass, and there is not nearly the same support and protection for the occupants if the bus rolls over. Sure the school bus is not as comfortable—

Hon. Mr. Snow: It's not as streamlined looking.

Mr. Humphries: —and it doesn't have all the amenities. But, as a structure, it is not a cookie-cutter as some people call it; it has a very strong body.

Mr. Cunningham: I haven't used the phrase "cookie-cutter." I think that's taking it a little far. But I would like to meet with maybe you and these individuals who would say that, because I would like to hear what they have to say. Frankly, having been on both kinds of vehicles, I find it a little hard to believe. Now, I'm not an engineer, but when people start talking about G-forces, I don't know what they're talking about; I'm not capable of assessing that. But, having been on the regular highway cruiser bus, especially the more modern ones, and on the McLeod type of vehicle, the difference is like night and day.

Mr. Gilbert: We would be glad to set something up. One of our engineering staff is working on this all the time, and certainly he could go over this with you. From a personal point of view, I guess I would get the same impression as you got; but, talking to our staff, they have always maintained

ined that in engineering terms it is a safer
than the highway cruiser.

Mr. Cunningham: But our standards for
ars are much stricter. We require by law
atbelts within the vehicle. I know the
minister wears his all the time, because when
pass him on the highway he's wearing his.
nd I wear mine; I want you to know that.

Hon. Mr. Snow: If you pass me, you're
eeding.

Mr. Cunningham: No question about it.

Hon. Mr. Snow: I always drive right on
e limit.

Mr. Cunningham: And Bob Nixon passes
e.

Hon. Mr. Snow: Yes. He's passed me
any times.

Mr. Cunningham: And the only guy who
esses us—

Hon. Mr. Snow: You don't stick up so
gh in the car as Bob does so I don't
tice when you pass.

Mr. Philip: Just be happy that Stephen
ewis lives in the opposite direction.

Mr. Cunningham: That's something to
ok forward to, having a driver.

Hon. Mr. Snow: Don't get anxious.

Mr. Cunningham: I'm not holding my
eath; I want you to know that. But it'll
sooner than you think.

Mr. Philip: Whenever you're elected, I'll
point you chairman of the Ontario High-
way Transport Board and give you a
cauffeur.

Mr. Cunningham: I'm looking forward
t it.

We require seatbelts in the automobiles
ad we don't in the buses. The reason we
n't require them in the buses is that we
ven't, I guess, and I suppose there are
lot of people who have a whole stock of
luses that don't have seatbelts in them. But,
cite frankly, we should require seatbelts
c the buses.

The arguments you use, Mr. Minister—
ad I think they're valid arguments—with re-
gd to the use of the seatbelt within the
c are equally valid with regard to children
buses, and especially smaller children.

That brings me to the argument about
nding. I'm given to understand that in the
pvince of Alberta you're not allowed to
snd in a school bus. That movie you
ople put out—it was a good one, too—
The Human Collision, and all the promotional
aterial that went with it, was excellent.

Hon. Mr. Snow: We've got another movie,
Dice in the Box, which is better than that
one.

Mr. Cunningham: Oh, I can hardly wait
to see it. Is it at a theatre near you, or
coming soon?

Mr. Gilbert: We can show it right here.

Hon. Mr. Snow: In my opening statement,
I said we'd be glad to bring it down and
show it here if the committee wished to
see it.

Mr. Cunningham: Right after Kirk's slide
show? I'd like to see it, quite frankly. I
think it would be a good idea. But I want
to get back to this idea of standing in the
buses. If somebody is sitting in a vehicle
that is involved in a collision, you people
have very appropriately indicated that the
person becomes a human missile.

If you're standing in a bus and there's an
accident or a sudden stop, the same thing
applies except you can go 30 feet before
you hit something. There can be some real
problems. I've heard of situations in my con-
stituency, especially with our friend McLeod,
where they have had 60 or 70 kids on a
bus, just packing them in.

Hon. Mr. Snow: Let's be fair to poor old
McLeod. He has nothing to do with the
number of kids he hauls. Any school board
in the province probably has the same situa-
tion.

Mr. Haggerty: He packs them in.

Mr. Cunningham: Sure he does. He has the
same responsibility the school board has.
They're both responsible for it. McLeod is
insured and he has a responsibility there.

Hon. Mr. Snow: Whether or not he has
standees on his bus depends on the route
he is allocated by the board of education.

Mr. Cunningham: As far as I'm concerned,
they're both responsible and they're both
at fault. There's just no way you should have
that number of children, especially standing,
on these buses. I think it's wrong. Until a
hell of a lot of parents complain, nothing is
done. After a lot of ranting and raving they'll
finally put on an extra bus. The problem is
alleviated, at least temporarily. We should
be looking very seriously at forbidding
standing on buses. If you have a principle—

Hon. Mr. Snow: Are you referring to all
buses or just school buses?

Mr. Cunningham: I would start with school
buses. There is no question in my mind. In
other areas you may legitimize it from time
to time, or on a temporary basis, or maybe
in the urban area.

Mr. Haggerty: Long hauls or long mileage. Some people have to stand up for 100 miles.

Mr. Cunningham: If you're looking at adult passengers—

Hon. Mr. Snow: We don't allow standees on trips—

Mr. Humphries: The PV act limits the number of standees. It doesn't relate to the distance, it's the number of standees.

Mr. Haggerty: Seated 45, standing 19.

Hon. Mr. Snow: We changed our act so there cannot be standees on field trips, didn't we?

Mr. Humphries: Yes, we did.

Hon. Mr. Snow: We changed our act. I know, I was involved in it. We no longer allow standees on school buses on field trips. For instance, if a busload of kids from Waterdown is coming in to the museum or to the Parliament Buildings here, they must have an adult accompanying them and there can be no standees on those trips. That's where they're going down the road at 50 or 60 miles an hour.

Mr. Cunningham: The minister represents a riding that is largely rural or has a rural element to it. He certainly lives out that way and he realizes that's tantamount to a field trip for some of these people. I know in my area, if they go from Freelon to Dundas they come down Highway 6 and they're going 50 or 55 miles an hour. From Freelon to Dundas District High School is almost a field trip in itself. It's a long way to go. On a lot of occasions you've got children five, six, eight or nine years old standing up on these buses. I want to tell you it's not right. Something should be done. Otherwise, as I indicated in a letter—

Hon. Mr. Snow: The Public Vehicles Act limits the number of standees on the bus to one third of the number of seats. That still allows a number of standees, certainly. Many of these routes do pick up standees towards the end of their route when the bus seats may all be taken. This certainly could be limited. You could disallow any standees on any bus. There would be a tremendous economic penalty.

No evidence has been brought to my attention that any number of injuries has resulted because of having standees on the bus. If we were to suggest legislation that would prohibit any standees on a school bus or on any bus, we would have tremendous opposition from many areas because of the tremendous extra cost that would be involved, where a bus can pick up that extra half a dozen or 10 children towards the end of their

route and bring them to school rather than having a separate bus go out. You know as well as I do, I'm sure, that school bus transportation takes up a considerable percentage of the school boards' budgets.

[10:15]

Mr. Cunningham: It's somewhere around \$2 million a year in my county.

Hon. Mr. Snow: If there was any indication that there were a great number of injuries or a great safety hazard because of standees, then the dollars become very much less important, but there's been nothing.

Mr. Cunningham: That's the problem. Until you have an accident you're not going to have the clamouring for the changes that are required. It's just amazing that you can have this dichotomy as far as standards are concerned. You exact one standard for a car, for an automobile.

Hon. Mr. Snow: What standard are you talking about?

Mr. Cunningham: Your seatbelts.

Hon. Mr. Snow: Oh, well yes, certainly.

Mr. Cunningham: Yes, but here you could have conceivably 30 people standing in an aisle.

Mr. Gilbert: Are you suggesting there should be legislation prohibiting anyone standing on a bus?

Mr. Cunningham: That's what they do in Alberta I'm told. Maybe Mr. Humphries could comment on that.

Mr. Gilbert: We had great discussions about this, about schools with the school boards and what have you. I recall two years ago when you brought out that draft legislation about standees on buses.

Hon. Mr. Snow: When we brought in the present school bus inspection standards, the field trips, and this, that and the other thing, we had a large package of proposed changes. We met with the Ontario Association of School Business Officials, the public school trustees and the Ontario Separate School Trustees Association, and the Ministry of Education had representatives there, as did the School Bus Operators Association of Ontario, the school transportation officials, and practically everybody who had a keen interest in this area. We went through very carefully all these aspects. As I say, a lot of them were accepted, some of them were not.

Mr. Cunningham: How do they do it in Alberta?

Mr. Humphries: I'm not sure; I'm sorry, I don't know.

Hon. Mr. Snow: We'd have to find out.

Mr. Cunningham: I finally stumped you. I don't know, I just think that it's something we should take a very serious look at.

Hon. Mr. Snow: I'm pretty familiar with our regulations, but not with Alberta's.

Mr. Cunningham: One of these days there's going to be a rear-end collision or a sudden stop and you're going to have 35 little guys go right through windows, gone. It's not going to be a happy experience. I don't know, Jim, I just wish you'd take a look at it.

I have just one more small thing I want to raise. I raised a question in the House last year with regard to this quota system and I want to know how such a thing could exist in your ministry. There was a reference to increasing productivity. They wanted a number of charges laid. From those charges, we wanted a number of inspections, or reports. I thought it was reports, or inspections and then from them we wanted a number of charges that would be contingent on that. Quite clearly, it was a quota system. I'm just a little concerned about it. I'm wondering how that kind of thing came to pass. It was a fellow named McIntyre who put the report out when he was in London or District 16. What district is that?

Hon. Mr. Snow: I know you expressed your concern about it, Mr. Cunningham. I make no apologies whatsoever for the fact my senior officials are trying to increase the productivity of the limited number of staff we have in this ministry. I think it's only appropriate there should be some monitoring, for instance some guideline as to the number of vehicle inspections each inspector carries out. Our inspectors are pretty able people, yet it's impossible to have enough inspectors at a truck inspection station to inspect every truck as it goes through because they're coming in there in rows.

I think statistics will show, and this came up once before, that in a high percentage of the number of trucks we inspect we find defects. The main reason for that is that our people are pretty good on such decisions as "Well, I'm going to inspect that one and let the next three go because that company never has very many problems," or "That type of truck is not one that normally gives us a problem." They pick out the ones they think are the likely candidates.

If one inspector is inspecting 20 trucks a day and never lays a charge and other inspectors are inspecting 20 trucks a day and laying five charges, something is wrong.

Mr. Cunningham: This report from Acting Superintendent McIntyre — I don't know whether this has changed his status, although I hope not—stated clearly that contingent on the number of reports they had to file, they were also to lay a number of charges. That is a little invidious, it really is.

It's like the stories we hear when we get traffic tickets—it's the end of the month and the guy is a little behind. We all hear those stories and I don't think any of us believe them, but when I got that memo I started to think about it. It looked quite clear that, at least in London, the word was out to "go, go, go." Which brings me to my conclusion—you will be delighted to hear—I think you may have a preoccupation with things like dirty plates and tail-lights, you may have placed the inspectors in that kind of a position with memos such as the one I revealed.

I would like to see more diligence in the licensing aspect of things. You are attempting to deregulate certain commodities through lack of enforcement. Lumber is one, fruits and vegetables another. Your inspectors are contacted and told about violations, but it just seems they want to ignore them. I don't know whether they have been directed to do that or whether it is their desire to do it. If that is the case I am disappointed, I really am. That is the extent of my comments.

Hon. Mr. Snow: The man who sent that memo used a poor choice of words. I make no apologies for the fact that all through my ministry we are trying to increase our productivity and get the best we possibly can for the manpower we have available. We monitor the number of inspections an employee is doing. If one is doing five a day and another is doing 20 a day, there has to be something wrong.

Mr. Cunningham: The point I am trying to make very briefly is this: I would hope they would have all sorts of inspections, that's just great; and no charges are laid, that's great too, that means that maybe in that particular area, on that particular day, there were no charges; but this report said they wanted a minimum of 10 reports weekly, six in some areas, and it was expected that, as a result no less than five charges were to be directed. That's what is wrong and you know it is wrong.

Mr. Gilbert: That's what the minister is saying, Mr. Cunningham, we admit that. We looked into that right away. We have talked to Mr. McIntyre on the basis that it was a very poorly worded memo. But in looking into it we were also satisfied that there was no quota system operating in London or any-

where else. I can say again, however, that we found, and had to agree, that in that particular case it was a poorly worded memo.

Mr. Chairman: We have approximately five minutes left before we adjourn. I would like to take some time to discuss with members of the committee their plans for the coming week.

Mr. Philip: Would you keep the vote open? I wanted to go to ambulance safety.

Mr. Chairman: I don't think there is any hope of our winding up vote 2503, Mr. Philip. What I wanted to do was discuss with the committee our plans for the coming week.

Mr. Van Horne: Mr. Chairman, I would like to ask a supplementary before you finish at 10:30.

Mr. Chairman: All right, Mr. Van Horne. I would just like to get our plans straight for next week.

A motion was brought before the committee on Tuesday night with regard to the 1977 report of the Ontario Highway Transport Board. The House leaders met and it was decided, because of the shortage of time, that the committee be allowed to finish the estimates first, then go on to Bill 136, An Act to stabilize Employment of Tradesmen in the Construction Industry, and perhaps defer consideration of the report of the highway transport board until January 1979. That is the first item.

The second item is our Kingston visit, which we cancelled for this Wednesday. Some plans were made on the basis that we might hold the visit to Kingston next week in relation to vote 2502 covering urban regional transportation studies. The problem arose again as to whether we were going to take the time we spent in Kingston and apply it against the estimates time of the Ministry of Transportation and Communications. I would like the opinion of the committee as to whether, if we decide to go to Kingston on Wednesday, the time we spend in Kingston should be applied against the estimates time.

Mr. Philip: On your first question, Mr. Chairman: When I moved my motion, which was a compromise motion to Mr. Cunningham's, which had asked for more time, I expressed concern that we couldn't deal with the transport board situation in 10 hours, and I suggested it should go before justice, although I'm quite willing to have it go before any committee.

I think it's such an important matter that I would be perfectly happy to have a recommendation from this committee that we deal with it during the Christmas holidays, provided that the House directs some committee

to deal with the matter, since a committee may only deal with a matter if there is motion in the House. So if you could direct the House leaders' attention to that, I'm sure we could have a motion in the House as subject to the approval of the minister—would want his co-operation on it, of course—we could deal with it during the holidays.

On the second matter, the trip to Kingston is important, and I am willing to say that would be worth the five hours away from estimates. I know the scheduling problem we're having, and I'm willing to compromise on that also.

Mr. Chairman: Then we can set the wheel in motion tomorrow morning to arrange for a bus for Wednesday morning, say at 8:30, so the people in Kingston can make the plans accordingly. They are quite concerned about this; they called me from Kingston this afternoon wanting to know what was going on.

Mr. Philip: I suppose there's no way taking a stenographer with us and having part of our committee questions—

Mr. Chairman: We checked this out, Mr. Philip, and we can't do it through Hansard. However, the people in Kingston are prepared to provide microphones and to take the questions and answers following the demonstration.

Mr. Philip: Can that be transcribed?

Mr. Chairman: I'm sure Hansard probably can transcribe that. We would have it on tape and we could bring it back here.

Mr. Philip: Sounds good.

Mr. Chairman: Is that satisfactory.

Mr. Cunningham: Sure; it's fine with me.

Mr. Chairman: Then we are agreed that the five hours we'll spend next Wednesday will apply against the MTC estimates.

Hon. Mr. Snow: There is also a matter of scheduling: I think Mr. Philip has a problem—

Mr. Philip: The problem is solved, because certain key members of the justice committee have to be in Ottawa that day, which was unannounced to the House.

Hon. Mr. Snow: You can't schedule anything around this place.

Mr. Philip: My problem is that I've got to find another three hours to substitute on Wednesday, but the justice committee will not be sitting Wednesday.

Hon. Mr. Snow: Oh, so that problem settled?

Mr. Philip: Much as I'd much rather fly down with you, particularly to see your tents as a pilot—

[1:30]

Hon. Mr. Snow: I do have a problem. I have a couple of matters I have to take before the cabinet on Wednesday morning. I thought Mr. Philip had to chair his committee Wednesday morning. We were going to fly down and meet you down there at noon and spend the afternoon. In addition, I have to go to Sault Ste. Marie that night. In any case, I will come down and meet you around noon to be there for the afternoon part of the questions and answers. I think what they're proposing to do is leave here at 9 o'clock or something like that,—

Mr. Chairman: Between 8:30 and 9 o'clock.

Hon. Mr. Snow: —go to Kingston, have a tour of the outside of the facility in the morning; perhaps over to the offices to see the small office building that's been built there, go to the test facility, have a quick lunch; and hopefully by that time I will be there and we could have the questions and answers.

Mr. Philip: Do I take it that subject to Mr. Drea's approval we'll have beer on the bus on the way down or the way back?

Mr. Chairman: But, as I mentioned.

Mr. Philip: Bring your own.

Mr. Chairman: Yes, bring your own bottle. Maybe I could strike the last conversation,—

Hon. Mr. Snow: Yes, strike that out of the record.

Mr. Chairman: The people in Kingston will prepare microphones and will tape the discussions following the tests.

Hon. Mr. Snow: May I ask one other question? As I understand it, the reference of the highway transport board report is now until January—

Mr. Chairman: That's correct.

Hon. Mr. Snow: —or whatever the House decides with it. As far as our regular estimates are concerned, do you wish the chairman of the highway transport board to be here at any time?

Mr. Cunningham: How about Tuesday night? Are we meeting Tuesday afternoon or Tuesday night?

Mr. Chairman: Tuesday night at 8 o'clock.

Mr. Cunningham: I think that would be a good idea just to follow through on this, we might even see some conclusion to it.

Mr. Chairman: Any further questions? Mr. Van Horne had a brief supplementary, I think.

Mr. Van Horne: Thank you, Mr. Chairman.

Hon. Mr. Snow: I presume with that decision we're going to continue through with our estimates as normal without any breaks?

Mr. Chairman: We should wind up, Mr. Minister, by Thursday night.

Hon. Mr. Snow: We should wind up next Thursday night?

Mr. Chairman: Right.

Mr. Van Horne: Very briefly, Mr. Chairman, to the minister: I read the report with interest and have a question, although I'm not a regular member of this committee, with respect to the type and condition of vehicles involved in accidents in 1977 and the further supplementary material: Have you expanded the factors you consider to include such things as the age of the vehicle, particularly as it relates to commercial vehicles; the cargo carried the last time it was inspected prior to the accident; and other factors that might give you a more complete picture than we find in this report?

Hon. Mr. Snow: I'm afraid you have me at a total loss on that one. Can anybody answer that?

Mr. Larratt-Smith: I think I could make one comment. We have a new accident report form which was negotiated over a period of time with a great many people, including the police who have to fill them out, that is a much more comprehensive form. Without having one directly in front of me I can't tell you exactly what items it would cover. We could very easily get a copy of it.

Mr. Van Horne: I'd be pleased if you would.

Mr. Larratt-Smith: There have been some difficulties in getting the police to adapt to it because some of the levels of information are fairly sophisticated in terms of knowledge of vehicles and there has been a feeling we should not change the form too quickly again so as to allow them to get used to the existing form. We can certainly get you a copy of the form.

Mr. Van Horne: I'll leave my card with the chairman or with you and I would appreciate receiving a copy. Thank you.

Mr. Chairman: Thank you very much, Mr. Van Horne. It's past our regular time. We shall adjourn until Tuesday night at eight o'clock.

The committee adjourned at 10:35 p.m.

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 Van Horne, R. (London North L)
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From the Ministry of Transportation and Communications:

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 Gilbert, H. F., Deputy Minister
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 Larratt-Smith, M., Director, Program Development Branch
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Resources Development Committee

Estimates, Ministry of Transportation and Communications

Second Session, 31st Parliament

Tuesday, November 14, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, NOVEMBER 14, 1978

The committee met at 8:07 p.m.

ESTIMATES, MINISTRY OF TRANSPORTATION AND COMMUNICATIONS (continued)

Mr. Chairman: I see a quorum. When we adjourned last Thursday we were on vote 2503 and our first speaker tonight is Mr. Haggerty.

On vote 2503, safety and regulation program; item 1, program administration:

Mr. Haggerty: Vote 2503?

Mr. Chairman: That's correct.

Mr. Haggerty: First of all, I want to thank the minister for his trip down into Wainfleet township this past summer.

Hon. Mr. Snow: I'm not sure whether that was safety or regulation, but I got out safely.

Mr. Haggerty: You got out safely. I do personally want to thank him for that personal involvement concerning the highway reconstruction there, highway 3 west of Port Colborne into Wainfleet township to the Haldimand town line. A number of citizens in Wainfleet were concerned about the tree removal along the alignment of highway 3, during the reconstruction. The minister did an excellent job in saving some of the trees. I think his main concern was also safety on the highway.

He had mentioned to the minister at that time I was concerned about the number of heavy vehicles using that narrow road, particularly as it relates to the trucking industry. For example, just in the past week I was visiting, along with my colleague, the member for Haldimand-Norfolk (Mr. G. I. Miller), the regional harbour in the city of Port Colborne; that is the grain elevators in Port Colborne. A Cuban ship was there loading corn. It takes almost 4,500 tandem trailers, large tractor-trailers, to load that vessel. They'll be loading on here again very shortly. So you can see the increase in the use of heavy vehicles on that particular road. I am a little bit concerned that although the road will be widened to the minimum safety width of—20 feet I think it is—

Hon. Mr. Snow: I think it is 22 feet.

Mr. Haggerty: From about 18 to 22 feet, so you gained about—

Hon. Mr. Snow: It's 22 feet of pavement.

Mr. Haggerty: Twenty-two feet of pavement with increased shoulders.

Hon. Mr. Snow: I'm not sure that road qualifies for the two-foot paved shoulders under our new criteria.

Mr. Haggerty: I don't know, it would be much more than 20 feet of pavement now. I think it was a rather narrow road anyway.

Hon. Mr. Snow: It was 20 feet and we're widening it to 22 feet, with two 11-foot driving lanes.

Mr. Haggerty: And I notice you've straightened the one curve just east of the village. I think it's Wainfleet. It's made a major improvement on the road for almost any person driving on it.

I'm deeply concerned about the heavy flow of traffic, particularly with the trucks used on this road now to get into the heavily industrialized area of the city of Welland. As we are concerned about the safety on the roads, particularly this road, when can we expect some final decision from the ministry to reconstruct that whole portion of highway 3 west of Port Colborne straight through that alignment proposed in 1975, I believe, or 1971? In this reconstruction of highway 3, instead of taking the old route, a new route would bypass the town of Dunnville and meet around the Nanticoke development in that area.

Hon. Mr. Snow: I wrote to your colleague, Mr. Miller, three or four weeks ago in reply to a query from him as to the alignment for that new highway 3. I wrote to him and sent him a copy of our map of the proposed alignment but we don't have anything scheduled at the present time to go ahead with that new highway.

Mr. Haggerty: Perhaps your staff is not concerned about the increased number of heavy trucks being used in this area to get into Welland to service that heavy industrial area. You're going to have a new steel plant coming on stream very shortly at Nanticoke and much of the steel manufactured there will

be transported to the pipe mills in Welland. And I mentioned the elevator in Port Colborne; they have increased the use of that facility. It had gone downhill during the final construction of the St. Lawrence Seaway when it was no longer used for exchanging goods from upper lakes vessels to smaller vessels which would take it down to the St. Lawrence Seaway system. They bypass that.

The elevator now is catering more to the local farming industry as relates to the new cash crop involvement by farmers in and around the area and even from Chatham. They're bringing in truckloads of soy beans, corn and other grains to the elevator and it's stored there and some of it is exported. There's an average of 150 trucks a day coming into that elevator. That's quite a few vehicles over the years. If you take in the heavy trucks that will be going to the steel mills in the city of Welland, I'm afraid we're going to have a problem with the old Talbot Trail, which is now highway 3. It was a heritage highway.

[8:15]

That was one of the concerns the people in the area had about the removal of some of the large maple trees. It was a heritage highway and they wanted to protect them. I thought that now is the time to take another good, hard look at this and perhaps reconstruct highway 3 by means of a whole new route from three miles west of Port Colborne straight through to Dunnville and, bypassing the town of Dunnville, up to Nanticoke. I think you're going to have to do it sometimes and perhaps a lot sooner than the date you have projected for its completion. I believe the ministry's 20-year study was completed back in the early '60s, the needs study on improvements in county roads and the provincial highways in the area. I suggest that you should be moving in this direction now because more problems are being created on that highway, which wasn't built under the standards you have today for heavy tractors.

Hon. Mr. Snow: They're travelling on it though.

Mr. Gilbert: Mr. Haggerty, I guess you know the history of this project because you have discussed it a number of times at these estimates. We have talked about the new alignment for some time. I recall your mentioning that because nothing was going ahead, rather than just, to use your words, putting patches upon patches—

Mr. Haggerty: That's right.

Mr. Gilbert: —maybe we could do something about the old highway itself. We pro-

ceeded along those lines but, as the minister has said, it was on the basis of highway having to carry the traffic for some time. We'll continue to see what happens as the traffic develops. We haven't abandoned the new alignment, but certainly we intended to be able to put it off for some time, provided we came up with a good driving surface on old highway 3.

We'll continue to watch what happens, but at the present time we don't have anything scheduled for the new alignment.

Mr. Haggerty: The deputy minister has mentioned that you're going to monitor the program. If it warrants change, then I suggest you should be moving in that direction. My own personal assessment of it is that you're going to have to move within a five year period or maybe sooner than that.

Hon. Mr. Snow: That could be. It's very difficult for us to find funding under the present circumstances to develop these new highways on the new alignment. They are very expensive. When we do decide on that or proceed with that, an environmental assessment will have to be done on the route which was selected a number of years ago. That doesn't mean anything now. It was one of the projects on our program at the time the Environmental Assessment Act came in, so it would be subject to an environmental assessment.

Mr. Haggerty: I'm not aware of the Steel Company of Canada moving plate down the railroad because it'll probably go by road transport which is more convenient and go there a lot quicker. The plates could be cut a lot wider. One of these times you're going to be asked for a special permit to move the material down from Nanticoke to the steel mill or the pipe mill in Welland. I can only hope that they're going to get a large share of the contract to construct that pipeline from Alberta and western Canada. That means employment for about four or five years, I presume. It could cause you some problems so I bring it to your attention.

Hon. Mr. Snow: We'll continue, as Mr. Gilbert has said, to monitor the traffic flow. I certainly recognized that the upgrading of highway 3, when I visited the area last summer, wasn't the ultimate answer. With the investment we're putting in there, it will provide certainly a better surface and a safe road, and be enough to handle the capacity for a period of years. But it's not going to be the end-all.

Mr. Haggerty: I'm sure the improvements are well received by the persons and motorists using that section of highway 3.

Hon. Mr. Snow: I've been going to take drive down there some day and have a look at the progress, but I haven't had a chance. How is it coming along?

Mr. Haggerty: It's coming along very well. They've got the first coat of asphalt pretty well completed now; I think they'll probably have the finish coat until next spring or some time next summer. But at least you can drive on the road now; you don't have the potholes and dives and the worry as to whether you and your vehicle are going to be ending up going off the side of the road. It's a major improvement, and I just want to thank the minister for it.

Mr. Chairman: All through, Mr. Haggerty?

Mr. Haggerty: Yes, sir.

Mr. Chairman: I think we have about five minutes left before we have to go up to the House for a vote. Mr. Philip, would you like to go ahead, please.

Mr. Philip: Yes, there are a few items that I'd like to bring up on safety before we have the opportunity to question Mr. Alexander, for whom I'm sure Mr. Cunningham and I have a number of questions.

Under the first vote, I brought to the minister's attention a case that had been brought to my attention concerning the Simcoe County Board of Education and the fact that mentally retarded school children were being transported in an old two-door car without seatbelts. Has the minister's staff had an opportunity to look into that matter? Do we have a report on that yet?

Hon. Mr. Snow: I don't believe we have. Do you have something to add, Bob?

Mr. Humphries: We don't have a report on it yet.

Mr. Philip: Another area that I would like to deal with is ambulance safety. I recognize that we have the problem here that the Ministry of Health comes into it, as well as the federal government and so forth. But I'd like to bring up a couple of points on it. I understand that the government has reviewed the specifications for ambulances to half-ton vehicles from three-quarter-ton vehicles. Is that correct?

Hon. Mr. Snow: I'm not aware of that. I believe the specs are prepared by the Ministry of Health. We purchase the vehicles for the ministry, as my ministry purchases all government vehicles. I'm not aware of any change in specs, and I don't know whether we have anybody here who can answer that question.

Mr. Gilbert: We just order exactly what the ministry requests, Mr. Philip. Unless our

services man was here and he was familiar with it, he would be treating it just like any other order that they put in. We don't question the size; it's strictly up to the ministry involved. The same is true with the Ministry of Natural Resources.

Mr. Philip: From the point of view of safety, though, and as the ministry that has been monitoring safety and has an ongoing safety program, I'm sure this ministry would be concerned about the possibility of overloading.

As I understand it, with the modern equipment, with 500 pounds additional on top of that 3,000 pounds of equipment—500 pounds being for two attendants plus one patient—then we're talking about a certain amount of overloading on a half-ton vehicle.

I wonder if the ministry can give us any breakdown on the specs. My understanding is that the tires being used are 14 inches instead of 15 inches, and the accusation has been made by certain mechanics who have brought this to my attention that the tires are unable to deal with the overload that is being put on these half-ton vehicles.

Hon. Mr. Snow: I don't think we can answer that question. I'd like to get the specifications from the Ministry of Health as to what we're buying. In my own experience, whether it's a 14-inch tire or a 15-inch tire it isn't the dimension that makes the difference as far as the load-carrying capacity is concerned. There are a lot of other things that have to do with the tires.

Mr. Philip: Would the ministry have any information on the number of accidents involving ambulances in any particular given period of time? Do you have any records on that?

Mr. Gilbert: No, I don't think so.

Hon. Mr. Snow: Most vehicle types are listed in our accident facts book, but I don't know whether any ambulances are involved there.

Mr. Philip: My understanding is that somebody visited the Downsview yards, which are run by your ministry, and that on a particular occasion there were a number of ambulances there that were being auctioned off to be used as house trailers or for some other sort of family use. Many of these had been in accidents, and it created some suspicion that perhaps these vehicles were having a lot more accidents than normal vehicles.

You have figures on school bus accidents as compared to trucking companies and other types of vehicles. I am wondering why

you wouldn't have accident rates for ambulances.

Hon. Mr. Snow: We can certainly check into that. I don't appear to have any figures on it now.

Speaking of the sale of vehicles, all used vehicles are sold either at Downsview or at other auctions, but most of the special-purpose vehicles are sold at Downsview. A number of damaged vehicles are sold in an as-is condition either for wrecking or for people who want them for parts or perhaps to fix them up. We have no control, after we sell them, as to what happens to them. We sell the vehicle on an as-is basis by auction, without a certificate of mechanical fitness. If someone buys a damaged vehicle, or any vehicle, he has to get a certificate of mechanical fitness before he can use it.

Mr. Chairman: Gentlemen, I am sorry to interrupt, but we have run out of time. We have to get up to the House for the vote. I would ask the members to return as quickly as possible after the vote.

The committee recessed at 8:27 p.m. for a vote in the House and resumed at 8:35 p.m.

Hon. Mr. Snow: I think I was just about to answer a question. In our book on motor vehicle accident facts we do not have a separate category for ambulances. I am told by my officials that the categories here are by type of vehicle, not necessarily by use. The ambulance vehicle is what we now know as the ambulance; there used to be and there still are, I believe, a few of the Cadillac-chassis type of ambulance around. The ones that are in common use now are basically a truck chassis, and I presume they're here. First of all, we will check our records to see what figures we can come up with as to the number of damaged ambulances that have been sold.

As to the total number of ambulances within the province, apparently we don't have that as a separate printout. I'm told there are between 600 and 800 ambulances in Ontario. Most of this information will be readily available from the Ministry of Health. I'm sure we would know how many vehicles we have disposed of over the past year and how many of those were damaged vehicles.

Mr. Philip: I would imagine that the insurance or the amount of liability paid out would be under the Ministry of Health as well, would it not?

Hon. Mr. Snow: No, I would believe, as I recall, all insurance for the government is placed by the Ministry of Government Services.

Mr. Philip: It would be interesting find out the amount.

Hon. Mr. Snow: The government is self-insuring as far as the vehicles themselves are concerned, but unless there has been a change made since I was Minister of Government Services, we do carry a policy liability.

Mr. Philip: My main concern was the weight.

Hon. Mr. Snow: We'll get the specification sheet, the current one, and we'll inquire whether there's been a change or not.

Mr. Philip: There's another area that falls under your ministry, and I know you've made announcements concerning the leasing of service stations on highway 401 and made other attempts to keep the price of the gasoline down in these. I have an interesting release from the United States Department of Transport that suggests that under the self-serve program they're concerned about the fact that some self-serve stations are finding a new way of adding the consumers' costs by charging them service fees for items that normally used to be considered free of charge, namely, air.

I'm wondering if you've had any inquiries into that. Is that happening in Ontario, and are we likely to see any of the persuasive powers that you have used with the big companies on the service stations used those oil companies when they start charge me 25 cents to fill up the slow leak in one of my tires?

Mr. Cunningham: As long as it's for the car, it's okay.

Hon. Mr. Snow: The only connection that my ministry would have as far as service stations are concerned would be, I believe, the ones on the 400 series highways. I believe we have approximately 23 highway service centres in the province. To my knowledge, none of those are self-serve, and I don't think we would want those to be self-service, because one of the commitments within the lease is that the operator must supply certain types of service on a 24 hours a day basis.

Mr. Philip: What has been the result of the pressure that you've put on the companies in the renegotiation of the lease? Is the gas selling for within a couple of cents of what it would sell for in the so-called cheater stations?

Hon. Mr. Snow: That's very hard to tell because you get a wide variation of gasoline prices between the cheater stations or between the normal community service

tations. Certainly we've had concerns about the price of gasoline at the service centres. Last summer, I wrote personally to the presidents of all the oil companies that have stations under the lease arrangement, and I met personally with several of the presidents or vice-presidents of the different companies. I wasn't able to meet personally with them all. Mr. Gilbert and Mr. Cartwright met with some of them.

3:45]

We're satisfied that some of the companies are giving good value for the money, and with others I think we have seen an improvement since our discussions with them. There's no doubt the service centres do have considerable costs added to their operation because of the conditions of our leases; it states they must be open 24 hours a day; they must have mechanics on duty; they must have a tow truck, or a service vehicle available; and they must carry tires and batteries and normal items of this type. This does add a lot to their operation, whereas the station that is off the highway, and not bound by our lease, can do very much as they like. If it doesn't pay them to stay open 24 hours a day year round, they can close and so on.

Mr. Philip: There's been criticism—and I think we were the ones who made the criticism — of excessive high pricing of gasoline. I've noticed a drop since you promised to put pressure on the service stations. Has anyone done any consumer reports on the price of other commodities that are sold in the service stations and compared them to other prices in similar gas stations? In other words, if my radiator blows on Highway 401, am I likely to pay more for it at one of these service stations than where they have me as a captive, as compared to having it blow close to my home?

Hon. Mr. Snow: I would doubt if you would be able to buy a radiator at one of those service centres.

Mr. Philip: What are the products they're required to store? Batteries you mentioned.

Hon. Mr. Snow: Batteries, tires, fan belts, and that type of repair.

Mr. Philip: If my battery goes, am I likely to spend more for a battery at one of these stations? Have you done any cost comparisons?

Hon. Mr. Snow: I can't tell you exactly by hand. We do have staff who monitor the stations as far as the cleanliness of the restrooms goes and the pricing of food products and a variety of things to make sure

they are keeping up the commitments of their lease.

I can't tell you whether we monitor the battery prices. I would expect a battery price at one of those centres would be higher than it would be at the normal garage you would deal with, just because of their operating costs.

I am advised we do have self-service at one of our stations at least. I wouldn't think it would be a total self-service, but there's probably a choice. People who want self-service at a lower price could use it.

Mr. Philip: I think Mr. Cunningham wants a supplementary, Mr. Chairman.

Mr. Cunningham: Do you tender out the food concessions at those places?

Hon. Mr. Snow: The total project is tendered, not the food concessions individually. The service centre sites, when they were established, were tendered under a set of guidelines that they must provide these particular services. I believe it was on a 20-year lease. We supply the site; they build their own building, and do all the improvements. They tender on the percentage of their gross sales that they will pay the government for the use of that site.

There was an adjustment about two years ago to the leases. We agreed not to charge the percentage on the extraordinary cost increases because of the additional 10 cent federal tax on gasoline, and the additional royalties that were added to fuel at that time, on the understanding they would agree to pass these savings on to the motorist. It was really as a windfall profit to the government because of these extraordinary increases that we agreed to remove those. I believe all the companies entered into this agreement and passed those savings on.

Mr. Cunningham: Are any of these stations near the end of their 20 years?

Hon. Mr. Snow: One on Highway 400 by Cookstown is coming up within the next two or three years.

Mr. Cunningham: That's the original one, isn't it?

Hon. Mr. Snow: That one's been there for a long while, yes.

Mr. Gilbert: The original one was the Shell station at the King side road.

Hon. Mr. Snow: That one was torn down.

Mr. Gilbert: We relocated it, and BP was the successful bidder there.

Mr. Cunningham: You'll just retender that one, and—

Hon. Mr. Snow: We haven't really decided. That's the first one coming up and I believe

there are no more for a number of years beyond that.

Mr. T. P. Reid: Can I ask a supplementary? Have any of these gone bankrupt?

Hon. Mr. Snow: Not to my knowledge. They're all owned by the major oil companies.

Mr. T. P. Reid: None of them by individual proprietors?

Hon. Mr. Snow: One of the conditions when we tendered them was that—

Mr. T. P. Reid: Are any of them losing money to your knowledge? Why do they do it? As corporate public relations?

Hon. Mr. Snow: I think all the major oil companies wanted very much to be represented on our major highway system.

Mr. T. P. Reid: So how many of them, Mr. Gilbert, are losing money? Do you have any—

Mr. Gilbert: We know of at least one. I don't know how many—

Mr. T. P. Reid: One out of 20?

Mr. Gilbert: Certainly some of the original ones aren't losing money, but I know at least one that is definitely losing money. It was one of the latter ones to go in.

Mr. T. P. Reid: Have they tried to tender? Why are they losing money, do you have any idea?

Hon. Mr. Snow: They're paying too much rent, I think.

Mr. Gilbert: A combination of paying too much rent, considering the volume they're getting. They put in quite an establishment, they've done an excellent job—

Hon. Mr. Snow: They put in a very elaborate building and they've tendered a high percentage on the sales—more than they probably should have, but they wanted that prestige.

Mr. T. P. Reid: So it was corporate mismanagement, or—

Hon. Mr. Snow: Corporate prestige, I would think.

Mr. T. P. Reid: —corporate prestige and they made a mistake on what they wanted to get out of it.

Hon. Mr. Snow: They wanted that site and they bid very high for it and put in a very elaborate—

Mr. T. P. Reid: Are the other 19 making a reasonable profit?

Mr. Gilbert: We do not get a statement of the profit they make. Naturally we know what gross, but it's only in discussions that the minister and I had, and I was aware that one of them, certainly, is losing on it.

Mr. Reid, I think you have to keep in mind that all of these stations, even the last one that was built, were tendered prior to the great change in the supply of oil. Really we're into a new ball game there to try and compare them to the time when everyone was trying to push oil, and gasoline sales seemed to be going on and on and on to almost unlimited volumes. The volumes have levelled off in some of those stations. In fact in some places they've started to drop.

So this is why you're getting some of the oil companies to take a real good look at their investment on the basis of whether they would do the same thing today.

Mr. T. P. Reid: Do they have the ability to terminate those contracts, or give the government notice that for example within three months they're going to be out of the business?

Mr. Gilbert: Not at the present time. But we're reviewing the whole—

Hon. Mr. Snow: There's a provision in the contract where if they do not live up to their commitments, we can give them notice.

Mr. T. P. Reid: The government supposedly, at least philosophically and at least for the press, has embarked on a deregulation program. There are probably people sitting around here tonight who might disagree with what I'm saying. But if it is not economically feasible, if they're not making a profit or it, if government regulation of whatever kind is strangling them and causing them to lose something, if they're not providing the kind of food quality we might like—for all of those kinds of reasons, what out is there for them? And what deregulation are you bringing to bear on this aspect of the industry?

We could wind up with less service admittedly, fewer hours that are available to the public, but at the same time, hopefully more reasonable cost. Perhaps the public will start realizing then that if they're going to have a service they're going to have to pay for it. This would be preferable to imposing the kind of costs we've heard about that those people along the 401 have incurred because of the leases that had been imposed upon them by the government.

Hon. Mr. Snow: Those leases were not imposed upon anybody, Pat, let's get that straight. The tenders were called and the companies bid on the leases. We don't have any service centres on 417 and so the oil companies were not interested in bidding.

Mr. T. P. Reid: So what you're saying is effect is they made that corporate decision

and they have to live with it. The unfortunate part is that the consumer ultimately has to pay for it because they have to pay the price charged by these companies.

Mr. Gilbert: We're reviewing all the kinds of things you are raising tonight, such as the leases and the maintenance of the toilets. That is a big issue; one of the problems is that a number of people use the washroom facilities and don't buy one thing from the service centre—they use the park. That's fine from the consumer's point of view but from the oil companies' point of view, certainly they have to provide a good service. We are reviewing that whole area and we've already had some discussions with the minister on this.

But as I said before, Mr. Reid, you've got to go back to the fact that the oil companies bid on that prior to the Arab oil situation. They're into a new ball game now and of course it's reflecting on how they operate—I shouldn't say how they operate, but some of the problems they have in operating the service centres. But to be fair to them, since the minister and I had meetings with them this summer, all of the oil companies I think have made a more concerted effort to try and improve the facilities for the travelling public.

Mr. T. P. Reid: One question, Mr. Chairman. I know you want to cut me off, but just to reiterate: none of these are then individually owned? They are all owned by the major oil companies?

Hon. Mr. Snow: None of them are owned by anyone except the crown. They are leased to the major—

Mr. T. P. Reid: I'm sorry, the leases are held by the major oil companies?

Hon. Mr. Snow: By the major oil companies. If you're interested in the leases themselves, copies of most of the leases were sent to your caucus office as requested last summer.

Mr. Philip: Mr. Chairman, if I may have the floor once again after some 27 supplementary questions. I am sure that all of us then are relying for the oil companies. Any study of the oil industry, including the Isbister hearings, indicates the profits are often not made on the sale of gasoline but on the volume and on the refinery and at the oil level. Therefore these oil companies certainly would like to get their share of the volume no matter how they get it; even if they do lose money it is made up in other areas.

That aside, I wonder if the minister can give a report on the studies he was going

to conduct into the balloon tires. You'll recall that when he introduced his bill, I had expressed some concern as—

Hon. Mr. Snow: Mr. Philip, we discussed that the other night. I suggested when we were going to be on the research and development vote I would have the proper research person here to answer those technical questions.

Mr. Philip: I wonder then if the minister can tell me if he and his staff have had an opportunity to look through the resolution passed by Stratford city council on July 10, 1978, concerning the Highway Traffic Act, the Public Vehicles Act and the Education Act?

[9:00]

The resolution states that "whereas mentally handicapped adults do ride on school buses while they attend the school for trainable adults, and whereas other modes of transportation are required at greater cost and often result in needy retarded adults being deprived of valued services, be it resolved that the Ontario government provide exemption from or make the necessary changes in the Highway Traffic Act and Public Vehicles Act and Education Act that would allow school bus operators to provide transportation to workshops for retarded adults." Have you dealt with this?

Hon. Mr. Snow: I'm sure if that resolution was sent to my office it would have been replied to. I don't have a copy of the reply here.

Mr. Philip: It was also adopted by the city of Thunder Bay, which passed a resolution on September 18. I wonder if I can just provide it to the minister and perhaps he can provide a reply.

Hon. Mr. Snow: I believe Mr. Larratt-Smith has some recollection of that.

Mr. Larratt-Smith: I believe the answer we have given is essentially that there is no barrier in our legislation at the present time. As far as we are concerned, it's perfectly all right for those adults to be transported in those buses. However, letting them on or discharging them, you can't use the flashing signals of the bus, because that's restricted to school children.

The problem from our point of view, looking at it at least initially, and if you have further information it's something we could look at more, but our initial reaction is that the problem is rather more with the operation of the school bus and hence with the local school board scheduling it and so forth. The restriction does not appear to be with legislation that this ministry has control of.

Mr. Philip: I have other questions but I would rather have Mr. Alexander and the transport board appear and give Mr. Cunningham and opportunity to question them. I will also have some questions.

Mr. Chairman: We'll just let Mr. Yakabuski ask a few questions.

Mr. Yakabuski: Mine was just a supplementary on the service stations along the major routes. I'm not shedding any tears for companies like Shell, which might be losing a few thousand dollars, or Esso or others like that, because that is pretty small potatoes to an organization of their size. I think on those routes, if these companies might try to have their product at a more reasonable price, they may get additional volume. I know most people I chat to deliberately stay away from purchasing fuel along those routes because of the cost. They can drive a mile off and maybe buy it at five, eight, maybe as much as 10 cents less.

Hon. Mr. Snow: A quarter of a mile in many cases.

Mr. Yakabuski: I think this is one of the reasons why they are not getting the volume they should be. They have people hired who have to be on duty 24 hours a day. They have people around. The prices they are charging for the gasoline are way out of line compared to what it can be bought for not far away from these routes.

Many of those places had regular restaurants served by waiters or waitresses. In recent years, they have sort of converted to a cafeteria or self-serve style. I would have to say in many restaurants the service there has deteriorated considerably when they have moved from that type of operation to the cafeteria or self-serve.

Hon. Mr. Snow: I'm sure that decision was made to try and keep in line with the trade at the time.

Mr. Haggerty: Children would like to see McDonald's along those super highways.

Hon. Mr. Snow: I had a letter from the president of McDonald's last summer which I believe I passed on to the oil companies saying that McDonald's would be interested in working with any of the oil companies and perhaps having some of their outlets on the highways.

Mr. Philip: Colonel Sanders has an outlet, does it not?

Mr. Yakabuski: They would have to make the parking lots much bigger.

Hon. Mr. Snow: One of the things that I checked into last summer with the oil companies, as far as the food service is con-

cerned, was trying to insist that the companies keep staff on 24 hours a day in off seasons. I understand we've made concessions to them. They have vending machines available during those off hours so a person can still get a sandwich and a cup of coffee, or that type of thing, but it eliminates the very high cost of keeping chefs and staff on when there's really one there of any significance—I mean a large number of people to substantiate it.

Mr. Cunningham: Do you have a sign the machine saying it may be hazardous to your health?

Mr. T. P. Reid: Excuse me, Paul is trying to gather his thoughts there. What do you mean you made substantial concessions to them, or you made concessions to them? I mean you lower the leases, or the cost to them?

Hon. Mr. Snow: Bob Cartwright is here, is he?

Mr. T. P. Reid: He's stranded on highway 401; he couldn't make it in.

Hon. Mr. Snow: One of the things I know—I don't recall saying a substantial concession—

An hon. member: Do we have it Hansard?

Hon. Mr. Snow: —but in fact, they do have to keep staff on 24 hours a day during all periods of the year. Because between midnight and five in the morning in January, traffic is not very heavy and there are not many people stopping—

Mr. T. P. Reid: Only politicians going by and forth and stopping.

Hon. Mr. Snow: —who would be wanting food. I think it was, perhaps, an unrealistic situation to have insisted they couldn't have some type of vending machine during the off periods.

Mr. T. P. Reid: So you dropped that requirement from the lease, is that what you did?

Hon. Mr. Snow: I would say we eased the requirements, or agreed to that procedure.

Mr. T. P. Reid: Mr. Gilbert can probably shed light on that.

Mr. Gilbert: There would still be people at the restaurant, if that's what your meaning is, Mr. Reid. In other words, there are people there but there are not the same number of staff required to service them.

Mr. T. P. Reid: Mr. Gilbert, do your lease require there be so many people on the shift?

Mr. Gilbert: No, they're to be serviced. We haven't looked at those leases recently but

certainly doesn't call for X number of people anything like that.

Hon. Mr. Snow: If you want to get in—

Mr. T. P. Reid: I'm at a loss then. I'll delete the word substantial, but what does a minister mean by concessions have been made to allow them to provide machines as proposed to people, I gather? What do you mean by that? Is the lease less in total dollars?

Hon. Mr. Snow: The lease is a percentage sales.

Mr. T. P. Reid: What do you mean by concessions, then?

Hon. Mr. Snow: Well, as to their requirement to have hot, home-cooked meals 24 hours a day during the off period. I am sorry about this. If I had known you wanted to discuss this, we would have had the appropriate staff here with all the intricate details, but I didn't feel that service centres came under safety regulations.

Mr. T. P. Reid: It's certainly a regulation that's probably costing people who travel on the 401 more money. Obviously it costs them more money.

Hon. Mr. Snow: It's not in the meaning of regulation in this vote.

Mr. Philip: You're correct, Mr. Minister. I snuck it in there and I apologize for ever bringing it up.

Hon. Mr. Snow: Well, I don't intend to argue.

Mr. T. P. Reid: That's the first time in 11 years I've heard an NDP member apologize for doing anything wrong. It's long overdue.

Mr. Chairman: Thank you very much, Mr. Reid, but Mr. Yakabuski still has the floor.

Mr. Yakabuski: Mr. Chairman, to the minister, through you: Do you anticipate some difficulty in renegotiating these leases with the service stations along highways 401 and 40?

Hon. Mr. Snow: Why would we be renegotiating the leases?

Mr. Yakabuski: After they terminate, when they expire.

Mr. T. P. Reid: I bet you don't know who your friends are or who your enemies are.

Hon. Mr. Snow: When the lease expires, it's my understanding the leasehold improvements become the property of the crown and you would then retender.

Mr. Yakabuski: I probably worded that wrongly. It should be retendering, when they expire. Retendering. I have a feeling there's going to be some difficulty renegotiating it and they're very essential services.

Hon. Mr. Snow: I don't anticipate that we are talking about or have any plans to renegotiate them—

Mr. Yakabuski: Or retender them.

Hon. Mr. Snow: —or retender them. In a situation on highway 400 when the one lease expired a number of years ago, the building was not a modern building; it was in the wrong location, taking into consideration changes over the years and the widening of the highway—

Mr. Haggerty: Made a good hardware store.

Hon. Mr. Snow: —so the old centre was demolished and that site was not offered for retender. A new site at a more appropriate location was offered and retendered and one of the major oil companies obtained the lease and built a brand new, modern centre on that location.

I do not anticipate difficulty in retendering the sites on the heavily travelled arteries, but I don't think the oil companies are clamouring to obtain these sites the way they were perhaps a few years ago. We might possibly get a lower tender in percentage of sales when we retender than we are getting now. I can't estimate that at all. It's not something we're doing on a day-to-day basis and thus have a pattern to follow. We have not tendered one of these centres in the last three years, one and a half months that I have been minister.

Mr. Chairman: All through, Mr. Yakabuski?

Mr. Yakabuski: For now.

Mr. Chairman: Mr. Newman, did you have any further questions relating to the safety and regulation program before we go on with the questioning of the gentleman from the Ontario Highway Transport Board?

Mr. B. Newman: Yes, I have a few questions. I want to ask you, Mr. Minister, in your planning of new highways are you considering putting the service centre in the centre of the road as they do in the US rather than having them to the right?

Hon. Mr. Snow: Right at the moment, we're not planning any new service centres at all.

Mr. B. Newman: On some of your new highways you're not planning it at all?

Hon. Mr. Snow: On highway 402, for example, the new major job we have on at this moment between Sarnia and London, we're not planning any service centres at all.

Mr. B. Newman: I noticed back in my own area that Husky had a centre just as you enter highway 401 off Walker Road in

Windsor. But it is not on 401, it is on the old highway. Have you considered giving them access onto the highway so that after the individual goes there, he doesn't have to backtrack to come out onto the highway?

Hon. Mr. Snow: I would think not.

Mr. B. Newman: Is there some reason why you wouldn't do that?

Hon. Mr. Snow: Safety.

Mr. B. Newman: Safety?

Hon. Mr. Snow: We have controlled access highways and we're not going to start decontrolling the access. There are many facilities, truck stops and other types of facilities, that have built along the periphery of the highways that basically service the public off the highway. They rely on them coming off the highway to get to their location.

Mr. B. Newman: You make a good point there, Mr. Minister. I won't pursue that at all.

I wanted to ask you a question concerning the article that was in the Windsor press about the food and the service centres along 401. Have you completed your study on that and are you attempting to improve the quality as well as service? The article was quite scathing and was written by one of the editors.

Hon. Mr. Snow: I've seen that both ways. I saw quite a lengthy article in one of the motoring magazines comparing a lot of different centres and it was somewhat complimentary. It said some were better than others and of course if you go over to Yonge Street, you're going to get some restaurants that are better than others too. We have received some complaints from the motoring public, as has the Minister of Industry and Tourism, about the quality of food, but we get complaints about the quality of food in the legislative dining room as well.

[9:15]

Mr. B. Newman: I travel highway 401 very often and I don't know one centre between Windsor and Toronto that I would care to stop at. I pull off instead, because I want at least decent food, and prepared better as well as not being stale. From my own personal experience, I wouldn't eat along highway 401. I'm not saying that the food is not wholesome and so forth, but it is not appetizing whatsoever, and I'm not a finicky eater.

Hon. Mr. Snow: They are not intended to be in competition with some of the fine dining rooms. On the other hand, I don't make a practice of eating at those centres. I don't

have the opportunity to very often, but during the past summer my family and I stopped a couple of times at those service centres, not for a full-course meal but for a snack, and really found no objection.

On the other hand, one day a year ago last summer I was returning down highway 401 and had to stop for fuel. I went in to get some Cokes or soft drinks and found the machine empty with a sign on it, "Out of Order," so you couldn't get canned soft drinks. So I went to the fountain and found that the refrigerator was off and the fountain drinks were warm.

When I got back to the office I dictated a letter to the president of the oil company involved and pointed out what I thought was inferior service, and it certainly was on that day. But, who knows, a refrigeration unit can fail in any restaurant. I've seen it happen myself.

Mr. Gilbert: I might say, Mr. Newman, that one of our greatest critics of service centres my wife, reports that going down to Windsor just about a week or so ago the service centre just outside of Windsor was in excellent condition. As I say, she's one of our greatest critics.

Mr. Wildman: Maybe she has been eating your cooking, though.

Hon. Mr. Snow: I might say that one of the more numerous complaints that we get with regard to the service centres would be of untidy washrooms. This is a serious problem for the operators of those centres. We have discussed this at length in all the meetings that Mr. Gilbert and I had with the different presidents and officials. They can have their washrooms in A-1, top-notch condition at the moment and a busload of travelling teenagers or senior citizens—or anyone, as far as that concerned—all of a sudden stop after hundred miles of driving, crowd in in a large crowd and use the washroom facilities. When they leave, it looks like the wrath of God.

Mr. T. P. Reid: That's not the way I would have described it.

Hon. Mr. Snow: Perhaps 15 minutes earlier it would have passed any scrutinizing eye. This type of condition is pretty hard to eliminate.

Mr. B. Newman: The only other question I wanted to ask is one that does concern me quite a bit. If we have a proliferation of self-serve stations, where are the handicapped going to get service for their vehicles?

Hon. Mr. Snow: I don't foresee a proliferation of self-service stations under our control.

Mr. B. Newman: I'm not referring to highway 401 now.

Hon. Mr. Snow: Then you are talking about something over which I have no jurisdiction.

Mr. Gilbert: The one service station that the minister referred to has both. There's a couple of self-service pumps but at two-thirds of them you get service.

Mr. B. Newman: I'm really talking about the municipalities where you will come along a road and you won't find a single service centre in which you are going to get actual service. They are all self-serve. The poor individual who is handicapped finds himself in real difficulty.

Mr. T. P. Reid: For instance, cabinet ministers.

Hon. Mr. Snow: In following press clippings, I notice municipalities having concern over the number of service stations that are being converted. This is something that the municipality can control. It is not something over which I have any control.

Interjections.

Mr. Chairman: Order.

Mr. T. P. Reid: Thank you, Mr. Chairman. I know you want to get on, and I have one short question on this—

Mr. Chairman: Yes, we do, Mr. Reid: We would like to get on. Go ahead, please.

Interjections.

Mr. T. P. Reid: If you could get Mr. Takabuski to calm down there—

Mr. Chairman: Let's have one speaker at a time.

Mr. T. P. Reid: I always like, in any estimate I go in—I know this is radical as hell, but I like to ask what the money is going for. All these policy questions are very interesting, but one can't help but notice under item 1 that even in 1977-78—

Hon. Mr. Snow: Which item are we talking about?

Mr. T. P. Reid: We're talking about salaries and wages and employee benefits—

Mr. Chairman: Under which vote and item, Mr. Reid?

Mr. T. P. Reid: The first item.

Mr. Chairman: But which vote?

Mr. T. P. Reid: Vote 2501.

Mr. Chairman: We're away past vote 501, Mr. Reid.

Mr. T. P. Reid: I know that. I can go to vote 2503 if you like, but I wonder whether the minister could explain to me why, under vote 2501 in particular, the figure for employee benefits is higher than

the figure for salaries and wages. I appreciate, when I look around this room and see all the high-priced help—I see about 30 people sitting there—

Hon. Mr. Snow: Most of them on their own time—

Mr. T. P. Reid: I'm certainly glad they're not making overtime, because they're all making more money than the MPPs.

I wonder if you could tell me, very shortly, concisely—you know what I'm getting at—why the employee benefits are higher than the salaries and wages?

Hon. Mr. Snow: First of all, you're going back to the other vote, but I'll give you the answer. The employee benefits in the main office vote are the employee benefits for the whole ministry, and not for the head office.

Mr. T. P. Reid: Could you tell me what percentage of the ministry's salaries and wages that figure represents? Is it 10 per cent, 12 per cent, 15 per cent? How does it compare with the private sector?

Hon. Mr. Snow: The benefits are the same as for the government as a whole in terms of pension and so on. Maybe Mr. Wood would like to explain that.

Mr. T. P. Reid: Could you give the gentleman's name for Hansard?

Hon. Mr. Snow: Mr. Wood, I said. Three times I've said that.

Mr. T. P. Reid: I know. Mr. Wood is always sitting there in the background, and I like to give him a chance to speak on every estimate.

Mr. Wood: That's very kind of you, sir.

Mr. T. P. Reid: He sits there, waiting.

Hon. Mr. Snow: He's been feeling very neglected for the last three days or nights.

Mr. Wood: Thank you, sir. The explanation is that the employee benefits figure is about 13 per cent at the moment; and those are the paid benefits, i.e. the hospital contributions, the insurance and that sort of thing. With the holidays and attendance credits, it's approximately 27 per cent.

Mr. T. P. Reid: Does that include severance pay, Mr. Wood?

Mr. Wood: It would do, yes.

Mr. T. P. Reid: What is the severance pay for a civil servant to leave?

Mr. Wood: It only occurs periodically, sir. It used to be that when an employee was severed either by resignation or by termination on retirement, the figure was the sum of his attendance credits paid at half pay up to a maximum of six months; an employee with, say, 261 days of unused attendance

credits would get a severance pay of 130.5 days. That recently has been changed slightly; there have been a number of amendments, I think, since 1966. In 1969, it became half a week's pay for each completed year of service for employees who joined during that period. Then, in 1970, the attendance credits were frozen, and the employee now receives one week's pay for each completed year of service.

Mr. T. P. Reid: One week's pay.

Mr. Wood: One week, up to a maximum of six months.

Mr. T. P. Reid: Could I ask one more question, Mr. Wood? You may not be able to answer this question, but how does that relate to private industry people who might be working in the trucking business or something like that?

Mr. Wood: I couldn't answer that question off-hand. I know that sometimes when our auditors are visiting from these industries, we get the impression that they're considerably higher than ours—not that particular thing, but fringe benefits.

Mr. Philip: They're represented by the Teamsters.

Mr. Wood: I don't know that.

Mr. T. P. Reid: We're talking about 13 per cent fringe benefits over the spectrum.

Mr. Wood: That will change each time that there's a union contract negotiation.

Hon. Mr. Snow: These benefit levels are established by Management Board with the civil service union, and that's what we pay.

Mr. T. P. Reid: I always like to ask a question about money.

Mr. Philip: I would like to deal with the Ontario Highway Transport Board. Perhaps I can just ask the first question of the transport board, give Mr. Cunningham an opportunity and then I'll come in again?

Mr. Haggerty: Has that vote carried then?

Mr. Chairman: No, this is part of the same vote. We've got the gentleman from the transport board, so we're going to cover it all at once.

Mr. Haggerty: Is that covered in that particular vote we were just discussing?

Mr. Chairman: Yes.

Hon. Mr. Snow: We have Mr. Bruce Alexander, the chairman of the Ontario Highway Transport Board, with us here now.

Mr. Alexander: Mr. Chairman, I wonder if I could read a statement before we begin the questioning.

Mr. Chairman: Are the members of the committee agreeable to that? Go ahead, Mr. Alexander.

Mr. Alexander: I just wanted to give you some background to the present position at the board. Since I've only been in the position of chairman for four months, I thought it might be appropriate to make a few remarks. I'd like to deal with the board's present situation and its immediate plans for the future.

As in the past, the board continues to deal on a daily basis with a heavy work load, the extent of which, I must admit, I did not fully appreciate when I became chairman. To give you some idea of the dimensions of this task I would refer you to the annual report for the board in the year 1977. In that calendar year, the board considered 4,681 applications of which 2,549 were considered at public hearings. In addition, 180 reviews were conducted at public hearings. This works out to an average of nearly 94 applications every week of the entire year for a board which today consists of eight members.

The figures available for the first third of 1978 indicate an approximate 19 per cent increase in applications dealt with by the board over the same period in 1977. For the most part, these decisions are made expeditiously and the average time from application to board order is around three months and rarely runs more than six months. This compares extremely favourably with other regulatory boards. The maintenance of this level of service will continue to have the highest priority.

As you know, the board is now engaged on a full-scale review of its practices and procedures. This review will address those recommendations of the select committee report which we have not already implemented and examine other new approaches to some particular problems that the board is facing in the immediate future. The board must carry out these responsibilities at a time when government activity, and in particular government regulation, is being reviewed with increasing suspicion by some segments of the public. As practising politicians, you will be more familiar than I am with this facet of the public mood. I only point that out to emphasize that I suspect that in the future those who believe in economic regulation will be required to defend and justify the role of agencies such as ours to a growing electorate.

We administrators will have an equally important responsibility to demonstrate that our regulatory processes are effective, efficient and fair. We must take pains to manifest this, not just for the public at large, but

more particularly for each individual who comes into contact with us. For my part, I want to ensure that our board has the structure, policies, procedures and expertise to allow it to perform in this manner in every aspect of its operation. The events of the last few months have given this task added importance.

I do not believe that I face this challenge alone. The minister has given his support to the board in the job it has ahead of it. I confidently look forward to the ongoing assistance of MTC staff in this endeavour. I am fortunate to have as my colleagues on the board members who are competent and who are committed to the objectives we have set.

9:30] I don't know if all of you here know the two vice-chairmen of the board—I've taken the liberty of bringing them along tonight—Mr. George Marrs and Mr. Grant Norton.

I'd also like to mention the appointment recently of Mr. Al Landry, who has brought to the board particular expertise gained through more than 20 years of experience in all facets of transportation. I'm fortunate to have inherited a dedicated, hard working staff who have been a great help to me and who I will depend on in future.

For the purposes of the review, I am assisted by two people, Mr. John Hylton of the law firm, Borden and Elliot, who has had long experience in administrative law and the operation of regulatory tribunals; and someone whom I'm sure is known to many of you, Mr. Brian Caldwell, who is seconded from MTC and not long ago served as director of research for the select committee.

Mr. Philip: We hope you don't corrupt them.

Mr. T. P. Reid: I would have used the word "seduced."

Mr. Philip: He's not easily seduced.

Mr. Chairman: Disregard those remarks, Mr. Alexander.

Mr. Alexander: I'm looking forward in January to taking on an additional administrative officer whose prime task will be to review applications and certificates with a view to taking firm action on the select committee's proposals that the language used in certificates be simplified and through that made more enforceable and understandable.

The review we have announced will delve into every aspect of the board's operations and it deserves further comment here. We have set the following objectives: Policies,

procedures and practices which are clear and understandable and the transmission of these policies to the public; the creation of hearing and decision-making processes that are as simple and efficient as possible, while at the same time ensuring that they are fair, equitable and consistent with accepted principles of administrative law, and an organization which functions with administrative efficiency.

We have identified 12 topics to address immediately: The forms of board documentation, the hearing process, the decision-making process, the powers of the board, the relationship of the board to policy-making, appeals, review, information to the public and rules of disclosure, relationships of the board with the ministry, outside groups, MPPs, other regulatory boards, et cetera—on that note, I must say I welcome very much the recent announcement by the Premier (Mr. Davis) of guidelines with respect to communications with courts and judicial bodies. I feel there still has to be some interpretation made of that particular document, but we're hopeful that it applies to the OHTB's joint hearings with other regulatory bodies and the administration of the board.

In this regard, we intend to document our own preliminary thinking, develop some options and tentative conclusions and consult with interested parties in the private sector. The select committee's recommendations dealt in some way with each of the above-noted areas. Its recommendations were far-ranging and the board has already acted to implement some of them.

The select committee report is, in our view, one of the notable studies ever produced by a select committee and I must pay tribute to its authors. It is a comprehensive work and it raises a number of matters which must be dealt with by the board. We believe the principles of our review and the actions we will undertake are consistent with the principles of that document.

The board will not wait to complete its total review to make what improvements it feels necessary. We have already implemented several changes in our way of doing business. I have already delegated from my office many of the routine matters such as emergency authorities, adjournments, office administration, listings, et cetera, to vice-chairmen and other members of the board and staff. We instituted regular meetings of board members to discuss questions of policy and procedure. With the help of a

legal librarian we now have a well-categorized and available reference library.

In attempting to encourage the members of the board to be as informed as possible about developments in the truck and bus industries we have increased their regular exposure to pertinent material through the acquisition, circulation and discussion of various articles and periodicals. We are planning to develop an educational package of information on legal procedures and procedural questions of relevance not only to the board but to other regulatory boards as part of our effort to ensure that members are continuously aware of their public responsibilities and encouraged to discuss matters requiring clarification which they feel might be changed to the betterment of the board.

We have created an index for it and have organized all written decisions of the board. These are now available in the library.

We are reviewing all of the board's forms for clarity and accuracy in wording and have already updated some. We are developing a basic information pamphlet. This is a direct recommendation of the select committee. We are planning to produce a periodical newsletter to be distributed by the board to the public on a regular basis. We intend to include information as to the processes and practices of the board and to use the newsletter as a part of a mechanism to consult with the public on various aspects of the board's review. Also, consistent with the select committee's recommendation, we hope to be receiving and generating a data base of statistics which will assist us in knowing more about the populations of licence holders.

Myself, the vice-chairman and members of my staff have instituted regular means for the staff of the ministry to discuss matters of mutual interest. This again is in lieu with the select committee recommendation. The staff of the board and the MTC, under the direction of the deputy minister and myself, are in the process of establishing a memorandum of understanding to confirm the respective roles and responsibilities of our two groups with respect to the regulatory processes and the normal administrative requirements of the board. We have commissioned a separate review of the board's organizational structure and work flow process to ensure that they operate with maximum efficiency. In direct response to the select committee recommendations, we have assigned a high priority to simplifying the forms of certificates and licences.

We are meeting very soon—in fact with the next week—with Alberta officials to discuss with them and with MTC staff the program to standardize and automate the licensing system. In the meantime, the board will begin a concerted effort to ensure consistency in language and clarity of description in every order of the board.

The board will be experimenting in several major cases in the near future with prehearing conferences. While this is not a direct recommendation of the select committee, it appears to be consistent with its principles. We hope to learn a great deal from this experience with a view to applying what we can to other cases, thereby helping to simplify our processes.

The board has adopted the select committee's recommendation to continue and expand its out-of-town hearing schedule and we request additional moneys—Brian Caldwell must have put this in here—in our 1978-80 budget to implement the recommendation that the board experiment with a broader advertising program for proceedings of general importance for out-of-town hearings. We have included Dryden and Fort Frances in those hearings, Mr. Reid.

Hon. Mr. Snow: As long as you can do all within your three per cent increase.

Mr. T. P. Reid: It's cheaper to go the other way than it is for those people to go to Thunder Bay for the hearings.

Mr. Alexander: That's what we anticipated. I am concerned with creating a code of conduct for board members, to assist them in dealing with the public and other government and private sector agencies as well as enhancing their understanding of the principles of the judicial system under which they operate. I intend to overcome the confusion to the public when they visit our offices, which I am sure some of you are aware of, by creating a better distinction between the public and private areas of the board offices.

Also in line with the select committee recommendations, we are considering in 1978 a trial procedure to advertise applications with affidavits of support under section 8, which means they can be held without a hearing. This holds out the very real possibility of fewer hearings, better identification of the opposition, better scheduling and less delay.

The board intends early in the new year to advertise and hold special hearings in each of the five areas of the province with respect to class R dump truck licensing. The hearings will have as their purpose

quiry into the supply and demand for dump vehicle operations, a better definition of the conflict factors which affect supply and demand, and where possible forecast of the number of additional licensed vehicles required to provide an appropriate level of service in that year; and further, to determine whether a repetition of such hearings on an annual basis would be appropriate. Also, we would hope at that time to get some support for the board's criteria, or at least comment on the board's criteria for public necessity and convenience in respect of dump truck operations, which as I know you all appreciate is a worrisome problem for us and for everyone, so that the selection process is as understandable and acceptable and as fair as possible to the applicants.

At the same time, we want to consider the question of partial dormancy of licences when the licensee does not license and generate the total number of vehicles authorized, and in so doing determine what practice the board should follow in such cases, based on some understanding of its effect on the supply of vehicles.

Finally, we want to create a forum in which all parties with views and comments may express their feelings on the way the board has managed its mandate with respect to the issuance of dump truck licences in the past. The board will encourage the minority to appear at these hearings and we expect they will be useful to us at that time.

I would like also to welcome Bill 20 as an addition to the PV Act giving the ministry the ability to direct the board to consider policy statements when determining questions of public necessity and convenience. We are already beginning to operate with respect to it. We endorse the concept of policy direction to the board and we look forward to more of it.

I trust the provisions of PV Bill 20, which I know you are familiar with, will enable the minister to direct the board to inquire into particular matters. That power is contained in the bill, and we hope it will be a useful tool for all of us. It seems consistent, again, with the recommendation of the select committee. I would like further to welcome the guidelines that were issued. I did comment on these earlier, although I have some specific observations we might explore later on in this session.

I will close, but I wish to make a few observations about the board's credibility. Mr. Philip said last Thursday night, if I may paraphrase him, it is important to deal with all kinds of policy—

Mr. Philip: I would prefer you quote me if you are going to do it.

Mr. Alexander: I only want to make a statement that I think follows from what you said at that time.

Mr. T. P. Reid: For Mr. Philip's sake it is better that you paraphrase him.

Mr. Alexander: I think I can respond without paraphrasing at all. I can give you my firm undertaking the board is firmly committed to abiding by a proper judicial process. There is a good deal of law which now bears on the subject of judicial process, including the board's own act and regulations made thereunder, and in the Statutory Powers and Procedures Act. I believe it is clearly our duty to ensure that all members are aware of their obligations and duties under these acts.

It is clearly not the board's responsibility, however, to amend this legislation. That is the responsibility of the Legislature. It is quite obvious to me the credibility of the board in the minds of the industry and members of the public generally, the press and all others, must be confirmed. This is crucial to the sound exercise and administration of regulatory law in this province. This will require a clear demonstration of such qualities as consistency, fairness, openness, efficiency, simplicity and awareness in day to day operations of the board.

These qualities must also be reflected in the board's decisions. I said at the outset I do not believe I face this challenge alone. I don't wish to say "I", I mean the board. I think the board is more important than the chairman and members. The board is an institution; it will survive the departure of these members and it is the board that people must have confidence in.

All players in this have a part—the trucking industry, the legal fraternity, the government bureaucracy in the best sense and politicians, all must have and demonstrate the same qualities in their relationships with the board as we intend to demonstrate in our relations with them.

Perhaps the cornerstone of credibility is this quality of respect. The board respects the existing statutes which is our duty to administer. We respect the rights of individuals who appear before us. We respect the right of the Legislature from time to time to alter the rules and laws under which we operate. Most of all, we respect our position as public servants and will do our best, through our practices, procedures and policies and decisions, to encourage and be worthy of that respect.

With that I welcome any questions you may have.

Mr. Chairman: Thank you very much, Mr. Alexander. Mr. Philip, would you like to start?

Mr. Philip: Mr. Alexander, I think I was one of the first in the Legislature to compliment you on your appointment and certainly all members of the Legislature were pleased with your appointment.

Having said that, I must say that I—

Mr. T. P. Reid: That was the good news.

Mr. Watson: Here comes the bad.

Mr. Philip: I rather question this Kirk Foley-like performance tonight. If you are going to make statements like this I wonder if it wouldn't be easier if they were supplied in advance to the transportation critics, Mr. Cunningham and myself, so that we might be able to question some of the specifics. It all sounds very good, but I would certainly like to question you on a number of those items. [9:45]

To start off with, in light of the fact you admit there has been some shadow cast on the credibility of the board, can you tell me how many licence plates have been removed by this board since you have taken charge? How many gypsies have been put out of business under the powers the transport board now has, that is people who were operating illegal trucking companies?

Mr. Alexander: Mr. Philip, I'm not sure what you are getting at specifically. In my understanding of the administration and functions of this ministry and the board, the ministry has that responsibility. Are you talking about some specific—

Mr. T. P. Reid: MTC has it.

Mr. Philip: The credibility of the transport board, the credibility of the whole licensing system, stands on whether or not those people who are operating illegally are left on the road. Right now we have one company in particular that legitimate trucking companies are constantly complaining about, namely Mr. Quinn and his operations. Those trucks are still on the road and legitimate companies that have paid their licence fees and are trying to operate honest and decent businesses are being undercut by this person and by his operations. I wonder how can someone run a regulated trucking company when this man and his vehicles are still on the road. Would you like to address yourself to that question?

Hon. Mr. Snow: Mr. Chairman, I thought Mr. Philip would have been aware the enforcement arm of the regulated trucking industry is under the minister, not under the

board. Perhaps Mr. Humphries should answer this particular question.

Mr. Alexander: Perhaps I could clarify one point, Mr. Philip. The board went through the process of removing the public commercial vehicle licence plates. As I understand it, Mr. Quinn is operating on vehicle plates without authority from the board at the present time. I think our board exhausted the processes of attempting to prevent him from operating. What is happening at the present time is that he's operating without authority, and it's my understanding the ministry is doing everything it can to prevent him from continuing to do that.

Mr. Philip: As the chairman of the regulatory body, do you not feel very frustrated that you have made a decision that that operation should not be in business and that these people are still operating? What kind of influence are you using on the ministry to see that this person is off the road?

Mr. Alexander: That's a difficult question to answer. I think I feel as frustrated as anyone else, because my responsibility is to the regulated industry and they tell me deal about their frustration, not just with respect to Quinn but with similar operators on the PV side. I have great sympathy for them.

I think when I put on my administrative hat I say to myself government must have a way of resolving that sort of a problem quickly and effectively or the credibility of the system is at risk. When I put on a lawyer's hat, I say to myself he is using the existing legal system and we have to go as slowly or as quickly as that legal system allows us to go.

I know the ministry has been criticized in the past and time again for not being able to effectively end Mr. Quinn's allegedly illegal operation. But the legal system and the court system we have in this country keeps allowing him the opportunity to appeal or to review or to delay that process. There is a balance there; as a lawyer I do not feel we can take away that right from him.

If you ask me whether the board—maybe this is part of the question you have asked—should be involved in enforcement even if we did have responsibility for enforcement the courts have already taken away that right we had to issue cease-and-desist orders. We had that up until the Parent Commission recently. We don't have any enforcement power with respect to people on the road even when they are PCV operators. Even if we did have that we wouldn't be able to go after Mr. Quinn because he's a private operator, he's not operating under a licence.

from our board. All he's operating under is a vehicle plate licence if I'm interpreting the question correctly. Maybe Bob Humphries would like to go into it in more detail.

Mr. Cunningham: On what basis is he operating?

Mr. Alexander: Should I have Bob Humphries speak to you on that?

Mr. Gilbert: Just before Mr. Humphries brings you up to date, Mr. Philip: when you mention the board's frustration, the ministry is frustrated too. Every one of us involved in driver regulation is as frustrated as anyone with the Quinn case. It's being going on, as you know, for some time. We are completely frustrated, but Bob will bring you up to date as to where things stand at this time.

Mr. T. P. Reid: Do we need a new law? Do we need a different law?

Mr. Humphries: Simply speaking, the ministry thinks that the Quinn operation is entirely brought to an end.

Mr. T. P. Reid: But he's still running.

Mr. Humphries: Just a moment now. All the plates, all the licences and everything of Quinn's operation have been cancelled. He has taken the position that the cancellation of his licence was improper and that's what his appeal is to the Supreme Court of Ontario at the present time. That's his allegation. We are in the position that any action we take now would be presumptuous in the light of the action he's got before the Supreme Court. This is what Mr. Alexander is referring to. You have to abide by the judicial process.

This company is disputing the manner in which the licences were cancelled. Since July 1977, this ministry has laid 102 charges. You can't say this ministry is not doing anything about this operation. It's enforcing the law up to the extent of its ability, and that's indicated by the fact that we've laid 102 charges.

Mr. Cunningham: How many convictions?

Mr. Humphries: There were two convictions. The process of prosecuting further charges has been held up pending the disposition of this matter by the Supreme Court, since the issue that's before the Supreme Court would be an issue on all these charges—did he or did he not have a licence?—therefore there is really not much point in proceeding with all those charges until the Supreme Court makes that final decision. The best information at this point is that the court will deal with that in December.

Mr. Chairman: Fine, thank you.

Mr. T. P. Reid: If Mr. Philip will allow me, is Mr. Quinn operating as—

Mr. Chairman: Shall I allow Mr. Reid to go ahead?

Mr. Philip: I'll allow one supplementary as long as he doesn't make it 25 supplementaries.

Mr. T. P. Reid: Thank you, Mr. Philip. Is Mr. Quinn covered by insurance and all the other sort of legal ramifications under that? Is he operating on the highway in a safe manner? Are his truck, his cargo and everything else covered by insurance? In other words, are his cargo and his drivers covered by insurance so that the people who are also travelling on the highway, as well as the people who for whatever reason, perhaps out of ignorance, are dealing with him, are covered by insurance?

Mr. Humphries: Those requirements are in the Public Commercial Vehicles Act, and since the ministry does not treat this operation as a licensed operation, the provisions of the Public Commercial Vehicles Act do not apply to him. He is subject to all the other laws of safe vehicle insurance required under the Insurance Act, but those provisions of the Public Commercial Vehicles Act, as far as the ministry is concerned do not apply to him because it's our position he has no licence at all.

Mr. T. P. Reid: If Mr. Philip will allow me one further supplementary, if the Supreme Court finds that he is not operating legally, all those provisions and all those protections that a shipper under normal circumstances would find under the PCV Act are null and void and they're shipping at their own risk?

Mr. Humphries: That's correct.

Mr. T. P. Reid: Thank you.

Mr. Humphries: We would hope that if the Supreme Court finds in favour of the ministry's position, the court will make an order that will provide an effective means of taking this operation off the road.

Mr. Philip: Do you have any idea how long this is likely to carry on?

Mr. Humphries: Mr. Philip, the December date is the best date that I can give you.

Mr. Philip: It's been carrying on for seven years. Can we expect that he can appeal it for another seven years and keep it dragged out in the Supreme Court while he continues to run the highways?

Mr. Humphries: I could not answer that at all. I have no idea what he will do.

Mr. Philip: I'm not trying to give him some suggestions, far be it.

Mr. Ziemba: Could I have a supplementary? Do you have any dialogue with the Ministry of Revenue with regard to unpaid retail gasoline taxes as regards Quinn Transport?

Mr. Humphries: Not to my knowledge.

Mr. Philip: I have a number of things that I think we'll bring out in our investigation of the whole operations of the transport board and I'd rather save some of those for that time. I wonder if you can tell me how many temporary licences you would issue in a period of, say, the last six months? Have you done any studies of the number of temporary or emergency licences that are being issued?

Mr. Alexander: I don't have the statistics with me, but we've got them.

Mr. Philip: Can you tell me if they are on the increase or decrease or stabilized?

Mr. Alexander: I would say they are on the decrease, because of a fairly conscious policy under which we have been scrutinizing them fairly carefully. There has been a feeling that there has been, perhaps among some carriers, a practice of requiring them on a regular basis so that their operations begin to look like a permanent operation. We've been taking perhaps a more hard line position recently, at least in the last two or three months, that, in effect, implements the true meaning of emergency. Where we find that people are requesting the same sorts of permissions over and over again we encourage them to apply for permanent authority, because it would appear that, in fact, they are able to demonstrate a need that is continuing and permanent.

We have been trying to reserve the permanent and interim. There are two types, as I think you appreciate. One is a telegram authority for one move that lasts for a week and the other one is a longer term one. There's also another one that we call an interim authority, and I'm sure you're familiar with that. That's the type of authority that says that you can continue to operate until a full hearing is heard. We require that there be proof of urgency and a lack of alternative sources. We are scrutinizing them very carefully and I'm sure that the numbers have been reduced in the last six months, certainly in the last four months.

Mr. Philip: Is it my understanding that one company, known as United Parcel Service, has applied for interim authority fairly recently—that is within the last four weeks—and that authority has not been granted or

that communication has not been made with that company?

Mr. Alexander: Yes, it was mailed three days ago. That request has been denied.

Mr. Philip: I'm not passing any judgement on the merits of the UPS application or the whole matter surrounding that, but is it common? When we were on the select committee on the highway transportation of goods we heard of people walking in and getting emergency and interim licences fairly quickly. Is it a common practice now to have a company like this, whatever its merits, that obviously has some kind of an emergency situation and the decision on the application for interim authority taking four weeks like this? Was it four weeks ago that they applied for it, or three weeks?

Mr. Alexander: No, I don't think it was that long, but there was a fair amount of material there and we wanted to give it due consideration. We don't normally take that long. That was an unusual request. You were intimating something else, Mr. Philip, about walking in and getting a licence?

[10:00]

Mr. Philip: The hearings of the select committee seemed to indicate that the interim and telegram authority were fairly readily available—

Mr. Alexander: You mean being abused?

Mr. Philip: —and were being abused. I am wondering if you have gone from one extreme over to another extreme, where it seems to have taken so long to study that a company with a real emergency—and I am referring to United Parcel Service Canada Limited had one, because I haven't seen their application for interim authority—would actually have to wait weeks for an answer, one way or the other, on interim authority.

Mr. Alexander: I think the board was attempting to be duly diligent in handling that responsibility. In most cases when that request is made, we are able to give a fairly quick answer—now we are actually talking about two different things. A telegram authority is one-shot affair; and that can be done over the telephone. We don't require affidavits. The decision can be made in a day. In fact, almost has to be made in a day to make worthwhile.

A temporary authority, which is again a different type of authority—it is for a limited duration but doesn't result in a hearing—can usually be made very quickly.

But an interim authority really requires review of all the merits of the application itself. The UPS application, as you know, was

fairly major application. A great deal of material was submitted with it.

Mr. Philip: On the UPS application, is my understanding correct that you have a print-out of only the application but not of the case against UPS? Is that the case?

Mr. Alexander: You mean of the transcript? We have, I believe, 80 per cent of the transcript; and, if necessary, we can get the balance of the transcript very quickly.

Mr. Philip: So it isn't just the application which is available in transcription form or in reliable form?

Mr. Alexander: No. I think that almost 80 per cent of the transcript is available. We took some of it ourselves, and other parties took parts of it transcribed themselves. There is a minor amount left.

Mr. Philip: You mentioned the great number of applications and gave a figure of public hearings. Do you have any feelings that the number of public hearings could be cut? Do you feel there are ways, perhaps by using the Interstate Commerce Commission method of having more written applications, of putting down the number? Will that be part of your policy recommendations?

Mr. Alexander: Very definitely. I think we deal with things expeditiously, but every time we have a bus or a series of cars lined up at 15 Bloor Street West that have brought people from various parts of the province to sit and wait and listen, I say to myself, "There's got to be a better way."

The problem—and it's something that has to be faced—is that the board is constrained by the Statutory Powers Procedure Act, which says how we can do business. It says basically that people can call as many witnesses as they want. We have to have witnesses. It sets out a very rigid code about the way we can operate.

I think what is going to happen is that we were going to find that we have what we think are good ideas for reducing hearing times, and for reducing the necessity of hearings, but we will run into the Statutory Powers Procedure Act, which says that we have to continue to do it that way.

One of the things we want to look at is the necessity of the type of cross-examination that people are exposed to when they come to the board. We are steeped in a very long tradition of a judicial process and the adversary role. I think most of the lawyers who appear before the board believe in it. I think a good number of the board members believe in it, because they, and I think, anyone who has been in a courtroom, have had the experience of seeing how the truth will

emerge when you have had cross-examination and how stories will change.

But whether that is appropriate for the type of hearing we have, where we are trying to determine public necessity and convenience, and where we know that some witnesses are intimidated by that process, that's what we have to look at. There's a balance there.

Again, the Statutory Powers Procedure Act says that people have the right to call witnesses and have the right to cross-examine them when they are called. If we are going to move away from that, we have to amend one of the Attorney General's statutes; but that's what we're looking at. The first step in that direction is to see if we can find a way of doing away with hearings when we don't have opposition. If we can anticipate that there won't be opposition and we can advertise it under section 8 so that there's no necessity of having a hearing if there's no opposition, then I think that's the way we should go as a starting point.

Mr. Philip: I have one last question and then I will allow Mr. Cunningham to come in, because I think a lot of the questions that I have I would rather save for the inquiry. One of the things that has always bothered me has been the whole review process of having somebody review the case on which he made the decision and saying, "I really was right." I have expressed that concern.

Mr. Alexander: You are talking about the appeal process.

Mr. Philip: The appeal process. I am wondering what your feeling is on that and whether we will be seeing some changes in that so that if I feel that I have been grieved and I want to appeal my case, then I can at least be assured it will not be by somebody up there saying: "Yes, I really was right when I made that decision against you."

Mr. Alexander: Maybe I could explain what goes on. We don't have a specific appeal procedure in our act and it creates problems for us. We only have eight members. When we get a series of appeals, we find it's very difficult to avoid some repetition. We should always have new people sitting. We have the alternative. When you have a notice of motion to reopen a hearing you can either send it back to the original panel or you can have a new hearing. By sending it back to the original panel people say: "That's asking a judge to swallow himself. It's absolutely ludicrous." To an extent I agree with that. To have to go back to a full new hearing and bring in all your old

witnesses on an appeal seems, again, like a terribly unproductive waste of resources. We are thinking about somehow establishing a separate appeal tribunal in the way the select committee recommended it; but we are running into problems with that too, because there's a question about the constitutionality of appeal bodies under the federal-provincial arrangements. I don't know what the answer is; but you are right, it's a very paradoxical situation now and it's very uncomfortable.

Mr. Philip: One of the concerns has been that with only eight people handling the applications, even if you had an independent review, those same eight are colleagues of one another and are influencing one another anyway. Therefore a separate body of appeal would make for a fairer hearing. I gather that is the direction that at least you personally are thinking about.

Mr. Alexander: I don't know how you can isolate that body from the others unless you make it a permanent body, and there wouldn't be enough work to justify that. There are boards of this nature in the province, such as a commercial appeal suspension tribunal; that's all they do and they are by themselves. They have got enough work, I guess; or maybe they are part-time people. I am not sure.

If we set aside three members and said to them to do nothing but appeals, they would have a different address and have no other responsibilities to the board, that would be the ideal thing I have to agree, because they would not have been a party to discussions of the application and they might not have the same biases. But it would be a terribly expensive thing to do; I don't have the complete answer on that one.

Maybe I could just make one comment about the opening statement. Perhaps it is my unfamiliarity with the procedure here, but I certainly didn't intend to take away any of the initiative. The intention in putting it on the record was that there's been a lot of discussion about the board recently and I thought it might reassure some people that we are attempting to head in the right direction by making a statement like that. It would not be the normal practice, I assure you, and I apologize if it has embarrassed you.

Mr. Philip: I was complimenting you on your opening statement and just saying that I would have been able to do more with it if I had had it in advance, that's all.

Mr. Cunningham: I want to welcome Mr. Alexander here. I am pleased that he brought

along Mr. Norton and Mr. Marrs. I recall when I was going to high school I used to ride on Mr. Norton's buses. We had the honour of having Mr. Norton's father, occasionally, as the driver.

Mr. Alexander: So did I.

Mr. Cunningham: I recall that there was no lack of discipline on the buses when Mr. Norton senior was driving the bus. I hope he's in good health. I don't know if he's still driving a bus, but—

Mr. G. Norton: He's not driving a bus, but he's in good health.

Mr. Cunningham: —I'm certain that he's probably enjoying his retirement.

You referred, Mr. Alexander, to our select committee as a notable study. I guess I appreciate that. Mr. Reid has left, at least temporarily. You have here in your presence five of the very distinguished members who signed their names unanimously to the report. As well you have the honour of working with Brian Caldwell, who served us very well. I don't mean that in any gratuitous sense, the only criticism we had of Caldwell was that he was so damned long-winded that we were going to have to cut down another couple of acres of trees to provide for the third and fourth volumes of our report. Nevertheless, his input was invaluable to us.

My only disappointment is the recommendations we made, both in the interim report and in the final report, were not implemented earlier. I guess you could sense the frustration of many of us who worked hard on that report.

I don't want to dwell at any length on the United Parcel situation. I gather from a question in the House we will deal with that at a more appropriate time in January, but I have a couple of comments and a question or two on the matter of interim authority. I find out, listening to Mr. Philip, that the temporary authority they requested was denied. Was it interim authority or was it temporary?

Mr. Alexander: It was interim authority that would have taken them up until the time of the hearing.

Mr. Cunningham: It was denied. I'm going to make a case for them. They have lawyers they pay very well to do that, there seems to be a variance, for want of another word, or a dichotomy in the granting of these interim authorities. I think of G. Hound, who I believe were offered that kind of arrangement, they were allowed to operate on an interim authority.

Mr. Alexander: I don't recall that. Could you be more specific?

Hon. Mr. Snow: I don't believe that is correct.

Mr. Cunningham: I'm sorry, am I in error here? Were they not granted interim authority first?

Mr. Philip: Pending the appeal.

Mr. Cunningham: Of course, pending the appeal initially.

Mr. Alexander: Yes, if there was an original decision they would be allowed to operate. That is if there was a hearing and a decision they would be allowed to operate pending the appeal. That's not an interim. An interim is rather unusual. First of all I would think there are a very small proportion of applications that ask for interims; and second very few are successful in getting them.

Mr. Cunningham: That brings me to the Western Dispatch case. Does that same thing apply to them? They operated on an interim, didn't they, or was it temporary?

Mr. Alexander: Maybe I could ask Mr. Marrs to comment on that.

Mr. Marrs: As I recall there was—

Mr. Chairman: Come up to the microphone, please, sir. Would you state your name, too, please for the record?

Mr. Marrs: George Marrs. I've forgotten the name of the people, but I know the one you're mentioning. There was a temporary licence for some period of time. They had a restricted licence; then they got a temporary operating licence and came back with a permanent application.

Mr. Cunningham: Could I offer Mr. Marrs a seat so he could be more comfortable?

Mr. Chairman: Yes, please.

Mr. Cunningham: With your permission, Mr. Chairman, maybe I could ask Mr. Marrs about this particular case. Let me get this straight. They made their application and then they were granted a temporary. Was that how it was?

Mr. Marrs: As I recall, they had a small licence. I'm not talking about small parcels but a small area of coverage. Subsequently they applied for a larger area, restricted to small parcels. It was a pretty significant area, a I recall south of Highway 17.

Mr. Cunningham: South of North Bay, I think.

Mr. Marrs: South of Highway 17. As I recall they were granted an interim, yes.

Mr. Cunningham: Basically, they were granted the same thing that UPS was after in their request.

Mr. Marrs: They were granted a similar application, yes. It wasn't precisely the same.

Mr. Cunningham: I'm just wondering if I could get an answer, either from you or from the chairman, as to the basis on which you would grant Western Dispatch that operating authority and deny United Parcel?

[10:15]

Mr. Marrs: As it turns out, neither of us was a party to it, sir.

Mr. Cunningham: So there's no reason?

Mr. Marrs: As I say, I didn't issue the reason on Western Dispatch. I wasn't one of the members and I know the current chairman wasn't.

Mr. Alexander: I can only answer that the conditions must have been different or the board has demonstrated some inconsistency. That was not meant to be a frivolous comment. This procedure is one that is rather unusual. It's a procedure that is put in to accommodate urgent situations. There's very little authority in the act for it. It's one that the board has developed over a period of time to attempt to accommodate the industry.

Normally speaking, you would proceed by the way of having a hearing in the first instance, because that's the only way that you really can determine whether or not there's a need. The board has developed these procedures to recognize the difficult situations, the situations where, if there wasn't a service available, there would be difficulty created.

It puts a great deal of discretion in the board, because you don't have a hearing, all you have is affidavits. You have to rely on information that's before you and you just do the best you can. I know the select committee has made recommendations about this, recommendations that there be some kind of a hearing and that they be heard, say, once a week on Thursday or something like that. We're going to be thinking about that too.

The procedure we operate under in the interim authority situation is that if we grant it and one carrier objects to it then we revoke it. In other words, we've made a judgement based upon what one person has said, that there is an emergency and no one else can carry the goods. We don't consult anyone else to ask whether they can do it. If they come forward and they demonstrate that they can carry it, then we have to cancel the interim authority.

Mr. Cunningham: Were there no objections when Western Dispatch was given their authority?

Mr. Marrs: As far as the interim was concerned I couldn't tell you, but I doubt if there would be. If you would like me to look back at the file I can find out what happened.

Mr. Cunningham: Yes, I would appreciate that.

Mr. Philip: As a supplementary, while you're at it, would you give us a report on the temporary certificate mandate to Deluxe Transport Limited, which was granted in chambers July 6, 1978, until December 31, 1978?

Mr. Marrs: Is this not one of those interchange of equipment ones?

Mr. Philip: Yes.

Mr. Marrs: We've been doing that to all the companies where they're interrelated in order that they can use their power. If Deluxe was involved I guess Smith would be an associated company, if Smith needed some help they would be able to use their power; they interchange power within associated companies. We've been granting those temporaries on a six-month basis. To be fair to the new chairman he hasn't had a chance to look at this area. We're trying to find out where it fits into the pattern in order that any surplus equipment in one company can be used in the other company to assist them when they're busy.

Mr. Philip: Is it not fairly safe to say, then, that on or before December 31, 1978, it's very likely that these companies will again be given another temporary certificate in chambers?

Mr. Marrs: I would expect they would apply for another six months.

Mr. Philip: And this goes on and on and on and on?

Mr. Marrs: You'll have to leave that to the chairman.

Mr. Alexander: This is a procedure that I understand had its origin about two years ago with the former chairman. The idea was that you should be able to accommodate companies that were under common control in their ownership in terms of allowing them to use each other's equipment when situations of scarcity arose, and it's something that up to now has been renewed.

I can tell you we're looking at it very strictly to make sure that it hasn't been abused and it's a benefit. I would expect that before the next renewal we will sit down and decide whether or not they should be granted automatically or whether we should have a hearing, perhaps a general hearing and get some word from the industry as to

whether they feel it's a useful way of handling these common control situations.

Mr. Cunningham: Mr. Alexander, you were here December 7, were you not, when opened the estimates?

Mr. Alexander: Yes: I sat in the board that's right.

Mr. Cunningham: Do you recall the questions I put to the former chairman with regard to the Western Dispatch case and concern about the interim operating authority, the extent of their debts and that possibility of the granting of permanent authority after was bailing out that particular company? Do you recall my concerns about that?

Mr. Alexander: I don't recall the details.

Mr. Cunningham: It's recorded in Hansard. You might look back to the estimates, session of December 7. I think it's in general government.

My concern was that the company worked its way into debt very quickly, so where in the area of \$800,000. There were varying figures. The point I wanted to make to the former chairman was I thought it improper to grant permanent operating authority to such a shoddy operation; that by granting full operating authority you were bailing them out per se. The difficulty in which we were placing yourself as a board in allowing these particular kinds of temporary authority where there was no real urgency—the urgency being that they stay solvent at bank or somehow stay afloat—was that we were prejudicing the decision as it related to the granting of permanent operating authority. The fact is if a company, whether it's a bus company or a trucking company operating on the roads it's established, the general tendency of a person would have been, "Well he's operating, we might as well let them go."

On that day I asked the former chairman what the full extent of the debt was. I talk at the time was that the company actually been sold, or sold in escrow, though no one will be able to prove that asked for the full extent of the debts at the sale price. I must say I was promised that. I did get an answer but I wasn't entirely satisfied with the answer. It didn't relate to information I had derived through our researchers from your board, which was very co-operative. Could you communicate with me with regard to that? At the time indicated to Mr. Shoniker that I wanted to know what the value of goodwill was just what we were trading there. Were we trading a company? Were we buying

ence? Just what was going on in that regard?

have only one more question. Is Mr. Alexander personally sitting on cases?

Mr. Alexander: I am, yes. I haven't sat as regularly as I did for the first two months when I was a member.

Let me make a point here. It's very difficult to sit regularly and administer the board at the same time. I recognize that the former chairman had a lot of visibility because he sat regularly. You pay an enormous price in terms of the overall direction of the board, the policies of the board and leadership in the board if you devote your time to sitting. I have confidence in the members who sit. That sort of detailed work gets done.

I don't like to put this on the record, but I'm attempting to be selective about the things I sit on or there's just not enough time. Anyone who has been there recognizes that the board is a very hard-working place. They carry a very heavy work load. Sitting on a case is not just the time you spend sitting; it's the time you spend thinking about it, discussing it, preparing reasons and agonizing about it. When you have the administrative responsibility at the same time it's very difficult. I have said to myself that the priority, for at least the first year while we have a review in place, is to get the administration done, to get the groundwork laid, to get the blueprints in place and then spend the time as a sitting member. I really think it impossible to do both.

Mr. Cunningham: I appreciate your candor tonight. I look forward to discussing the UPS matter with you in January, or when the committee sees fit. I thank you for being tonight.

Mr. T. P. Reid: Mr. Alexander, I too am impressed with what you have said. Just to clarify things for myself, I gather since you have become chairman you are undertaking a complete review of what is going on at the OHTB, with regard to both its procedures and the legislative and regulatory rules that we operate under; is that correct?

Mr. Alexander: Yes, that is correct.

Mr. T. P. Reid: As such, you are spending a lot of your time on that review and the administration, rather than sitting on cases. Perhaps for the record, could you explain to us how you see your position as chairman of the OHTB vis-à-vis government and government policy, and how you relate to the fact that you operate under and any sort of government policies that are laid down by the Legislature, and obviously in the public domain over the last little while,

we have had some concerns as to how the board operates, how its personnel operate and how you relate to the function you have.

Could we start with how you see your function as the chairman of the board and therefore the primary person in relating to the government as evidenced by the Lieutenant Governor in Council, and particularly the Minister of Transportation and Communications? Do you see your function primarily as instituting government policy, or operating under the legislation and regulations as laid down by the Legislature under the Public Vehicles Act and all the other acts that you operate?

Mr. Alexander: That is a difficult question to be categorical about, but I will try, Mr. Reid.

First of all, we are fairly closely regulated by our statutes in terms of our procedures. In fact I think we are too closely regulated. I think we could be more efficient in making our decisions if we didn't have the constraints of quite a bit of the legislation that we do have, but we follow that.

Mr. T. P. Reid: Specifically then.

Mr. Alexander: The specific constraints?

Mr. T. P. Reid: Yes.

Mr. Alexander: Some of the constraints are the ones I was referring to earlier, the things that require us to have hearings, the things that require us to allow people to call witnesses in all circumstances, the advertising parts of it. I think there are ways of improving the way we operate in terms of the cost to the public and the turnaround time that we have. I am not saying that on the basis that we should necessarily do away with constraints, because they are public protections; at the same time, they give people the proper opportunities to be heard and the proper appeal routes and this sort of thing. But other jurisdictions are able to deal with applications on the basis of paperwork rather than hearings while we are stuck with that, that is the structure we have to operate under.

Then we have the policy that we inherit, and everything we have to this point is inherited. The first real policy direction we have got, and I said earlier we welcomed it, was last week in the Public Vehicles Act where an order in council stated a policy that we have to apply in every case that comes before us under a public vehicle application. We understand we will be getting a similar series of policy instructions on the PCV side when the bill that is currently in the House is passed. We feel that is the only way to go. We feel that a board—and this is my personal conviction—must have policy

direction. And it must come from the political process, it must not be in the position of having to develop it on its own. To me, that is nothing but disaster for the board. [10:30]

Mr. T. P. Reid: We are running out of time, Mr. Alexander, at least for tonight. I appreciate what you are saying, which I gather is that you see the policy initiatives as being related to legislation that is passed in the House.

Mr. Alexander: Yes, I do. However, could I just add that I think there will still be a role for the board to interpret general policy statements by government—such things as energy requirements, fiscal constraints, things of that sort that are general government policy? I think that will be part of the world in which the board lives. It will be part of the reality it will understand when it reviews cases.

Mr. T. P. Reid: Mr. Chairman, it is 10:30 but I would like to pursue this at some length because what Mr. Alexander says is very interesting. How one differentiates between what is perceived by the board as a policy statement outside of the legislation and outside of what the government says, namely this is the way we would like the world to go, are two different things. Perhaps we can go into it when we meet again.

I have one question. When do you expect the review of the policies and the procedures of OHTB? When do you expect to complete that and provide a report? I presume, and I am sure the minister would agree, that it would be available to all of us in the Legislature. When would that be available to us?

Mr. Alexander: I wish I could be more specific, but there have been so many things that have come our way recently in terms of attempting to meet deadlines. We did think originally in September. I am less optimistic now. I would say that by this time next year we should have completed most of the process.

Mr. T. P. Reid: With any luck maybe some of us won't be here next year, but I would like to continue on when we resume.

Mr. Chairman: Is it the wish of the committee that we bring Mr. Alexander and

members of the board back on Thursday evening?

Mr. Cunningham: Mr. Chairman, I think in fairness to Mr. Reid or any other member, Mr. Philip and I both took some time on this and there was some time associated with a statement. I think it had been the tradition in the past at least to spend an evening on this. If Mr. Reid, or other members on that matter, have some questions—

Mr. T. P. Reid: I would like to have a further opportunity for questions.

Mr. Chairman: Very well, Mr. Reid. You will see you on Thursday night at 8 o'clock. In the meantime, I would like to remind members that we will meet outside the main front entrance of the Legislature tomorrow morning at 8:30 for the bus to Kingston. I hope you will all be there.

Mr. Philip: Do we have any decision made by the House leaders concerning our inquiry into the actions of certain key people on the transport board? Will the motion made in the House and when will it be made?

Mr. Chairman: I thought there was some agreement several days ago that we would pursue that matter in January. There has been no definite date set for that, but I was under the impression this was agreed upon by the House leaders and was to be held in January.

Mr. Philip: You will be speaking to House leaders on it.

Hon. Mr. Snow: Mr. Chairman, on an item that was passed about an hour ago we discussed the rate of employee benefits in reply to a question by Mr. Reid. I advised that the information Mr. Wood gave was incorrect. He states that the percentage should be 17 per cent and not 13 per cent. I wanted to have that on the record.

Mr. Philip: Mr. Wood normally does make mistakes, so I think we should mention the calendar and say that we got him wrong one time.

Mr. Chairman: Thank you very much for clarifying that. We shall adjourn until tomorrow morning at 8:30.

The committee adjourned at 10:34 p.m.

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Ontario

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Resources Development Committee

Estimates, Ministry of Transportation and Communications



Second Session, 31st Parliament

Thursday, November 16, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, NOVEMBER 16, 1978

The committee met at 8:10 p.m.

ESTIMATES, MINISTRY OF TRANSPORTATION AND COMMUNICATIONS (continued)

On vote 2503, safety and regulation program:

Mr. T. P. Reid: Before we go into the tags Mr. Alexander and myself were talking about the night before last, I'd like to clarify something. Mr. Alexander and I have had correspondence about holding hearings for class R licences particularly, and he mentioned at the outset of his remarks about holding those hearings in Dryden and Fort Frances, when there were enough licences to permit.

Another problem has arisen in that regard in that you have been granting class R licences, but only for one or two municipalities at a time. There may be six or seven municipalities in a 40-mile radius, all extremely small but all requiring certain licensed carriers. I wondered if the board would consider granting the authority for a larger area, rather than restricting it to one or two small municipalities. These gentlemen are investing \$30,000 or \$40,000 in a truck and they can't get enough work to justify this.

Hon. Mr. Snow: How could that be? They're a region, don't they?

Mr. Alexander: That's right.

Hon. Mr. Snow: They can get a region to the Manitoba border, if they get an R licence.

Mr. Alexander: The board can only grant licences for a whole region, for one or more of the five regions. For a period of time last winter our licences were granted for particular municipalities and particular suppliers and they were corrected. I don't know if those licences were in your region and so may have come to your attention. That is not the policy and that is not what is happening now. They are granted for the total region and they're not constrained to any particular shipper, supplier or municipality.

Mr. T. P. Reid: Fine. That was my understanding but Monday evening somebody came to me with this problem. Maybe his licence hasn't been changed yet.

Hon. Mr. Snow: Region six, for instance, consists of the districts of Thunder Bay, Rainy River and Kenora. If one gets a region-six licence, one has a pretty good operating area.

Mr. T. P. Reid: Except, as Mr. Alexander said, there was some foulup and some of these people got one that was restricted to certain areas.

I would like to go on very briefly and talk about how policy is set at the board, its relationship with the government and how it receives government policy, or if we might call it, direction in certain areas. Could Mr. Alexander help us out? We talked briefly about the fact that he operates under the various acts which give him authority to hold hearings and so on. How is government policy, in matters such as those related to Greyhound or UPS or that sort of thing, communicated to the board? Does the board receive a letter from the minister, or is it done verbally? How is government policy translated to you?

[8:15]

Mr. Alexander: I think the only way we can properly develop that idea is to deal with the environment in which the board operates. In our review, we're looking at what the proper method of transmitting government policy at all levels should be. We have an amendment to the Public Vehicles Act which has a specific amendment allowing for policy direction by cabinet to the board. One order in council specifying direction to the board has been promulgated and we are operating under that now. We understand there's a bill on the PCV side that contains the same thing and we are prepared to operate under those sorts of directions.

Beyond that, the whole question of policy transmission is one we spent a fair amount of time talking about and thinking about because there's a fair amount of literature and a fair amount of practice in various places. There's been intense debate federally for the last 10 years about how policy should be transmitted from, say, the Minister of Communications to the CRTC or the Minister of Transport to the CTC and it would appear they've done a turnabout. When the CTC was created, it was really beyond policies, creating its own policy. Now they ap-

pear to be bringing it back in and making it directly amenable to policy from government on specific issues.

Our board, in legislation, has never had policy direction and there's a strong feeling that it should have it at this time. What it has operated under in terms of constraints that it applies to itself are the statutes which we described last Tuesday night and the law that has interpreted those statutes. That's growing; it's an organic thing and it changes regularly. As late as six months ago, we had a legal decision in a case that took away from the board a right it thought it had and that changed the environment in which it operates. Then we have the written decisions which are our policy and which are available for anyone to see at any time. The board conscientiously attempts to be consistent in that policy. There are a thousand written decisions of the board and we would hope they would be published on some occasion and that people would have reference to them. This would give them some guidelines as to what policy is at the board.

Then you have the level of policy of the type you're talking about, which can be divided into two types of policy; policy with a capital P which is government policy of the type we see coming out of the PV act and perhaps through the PCV act, and policy which is developed by the board itself. There is probably a grey area in there and I don't know if we can ever analyse and compartmentalize it completely. We had a situation last year, for example, with respect to the moratorium on dump trucks in which policy became a co-operative thing between government and the board. They got together and said, "We feel together that there should be a constraint on the issuance of dump truck licences," and that was done explicitly, openly and properly, although that's not something you can put in legislation. It's difficult to put it in legislation.

My own view of policy is that the broad public issues on which the public expects government to give direction to regulatory boards are covered in legislation. Major changes in the way the board is operating should always be placed in policy directed to the board by government, by the politically responsible body. Then you have that grey area where regulatory boards and the responsible political body will always share some of each other's territory because the question of whether it's a policy that should be set by government or a policy that should be set by the board is not always clear. The facts and circumstances will change from time to time.

Then you have the area of the board interpreting public necessity and convenience on a day-to-day basis, for example, when it's confronted with issues brought forward by the people who appear before it as adversaries, suggesting to the board that the public interest means they should take into consideration some particular matter when making a decision and those matters could change from year to year.

Outside of what I have described, I don't think there is another way of giving policy direction. The ultimate method of being responsible as an administrative body is to have a corrective mechanism in the system itself. Then you would first of all have an avenue of appeal, and by that way would be attempting to have consistency in decision-making and an avenue of petition to the ultimate politically responsible body, which is the cabinet. Traditionally that has been one of the most important ways of transmitting policy. Once the ultimate political body makes a decision about a case which has already been decided by the board, I think the board must pay attention to it.

I think that covers the range of ways in which the board directs itself.

Mr. T. P. Reid: That is a fairly complete answer, Mr. Alexander. I am interested in the methodology. When some government policy is to be transmitted, if it isn't in statute form or if it is a shared responsibility as you indicated in the dump truck licence, what kind of dialogue goes on between you and the government, perhaps the deputy minister, perhaps the minister? How do you straighten these out and how much? Does the executive assistant phone you up and say the minister thinks the board should go this way? How are these things done?

Mr. Alexander: I haven't had that experience. The previous chairman may have indicated to you some ideas about the way it operated, but I think I have described to you the way we operate.

Mr. T. P. Reid: Do you have regular meetings with the ministry people themselves?

Mr. Alexander: The recommendation to the select committee report was that we have regular meetings. Frankly we haven't instituted them on a regular basis at this point but those regular meetings would have agendas that would cover very general matters.

I don't think at this point they would necessarily cover policy matters. It is something we haven't had so I can't comment on it. We have had instituted a series of meetings with ministry personnel, but they dealt more with

the mechanical relationships and administrative relationships between the—

Hon. Mr. Snow: Administration and policy.

Mr. Alexander: That's right, because we are hooked in very closely with them from an administrative point of view. The paperwork flows through to them—

Mr. T. P. Reid: Let's talk about something—I don't want to beat old chaff, but I am interested in your approach here because it is important and I think it is going to arise again.

If we take for instance the Greyhound decision of the board, to many of us that was a distinct reversal of policy by the board. It was contrary to decisions the board had come to with before and the way the board had viewed these kinds of matters. Perhaps you wouldn't agree with that. To us it seemed like a distinct change in approach.

Mr. Alexander: I am not talking from first-hand knowledge, so I—

Hon. Mr. Snow: Mr. Alexander was not on the board when the Greyhound matter—

Mr. T. P. Reid: That is the continuing frustration I have had for 11 years. We never deal with the same people.

Hon. Mr. Snow: The previous chairman was here for 25 years, Mr. Reid, and you might say you have been frustrated by having a different chairman every year.

Mr. T. P. Reid: No, not in this instance. But we didn't know we had those problems. I am interested in Mr. Alexander's approach to that. I think you are as aware as anybody here of the details of that. Of course you obviously weren't sitting on the board, but all of a sudden the element of fairly strict and tough competition was injected into an industry that had that.

Mr. Alexander: Correct me if I am wrong, but are you suggesting the Greyhound decision was a departure from what was understood to be the policy of the board up to that time?

Mr. T. P. Reid: Yes. You might not agree with that or the minister might not—I suspect he wouldn't agree with that statement—

Mr. Gilbert: I would like to comment on that. You find it difficult, because Mr. Alexander wasn't the chairman. The former chairman isn't here. I recall several months before the Greyhound-Gray Coach situation ever came up, the bus operators became very concerned about some statements the chairman had made about how he was viewing public conveyance as a necessity in regard to competition in the bus industry. They were viewing this so-called change in the

way he was going to deal with it—they felt it was a change—from the way he had come out with his decision.

I recall that was several months prior to ever hearing the Greyhound-Gray Coach matter. To be fair to the former chairman, certainly I think he had made statements in previous decisions to show he was starting to look at things perhaps a little differently.

Mr. T. P. Reid: Believe me, Mr. Gilbert, I am not even interested in what the chairman did per se. My point in all of this comes down to whatever action was taken was a decision of the Ontario Highway Transport Board. The question is, in my mind, who is setting the policy on a day-to-day basis? What are the limits of that policy? How is the policy of the government, other than statutory, transmitted to the board? What kind of autonomy does Mr. Alexander have, or any chairman, to set policy as in the Greyhound-Gray Coach matter? Regardless of the merits, right or wrong, I am not here to debate that, but was that chairman operating within the confines of his authority? And where does the responsibility fall in this?

Hon. Mr. Snow: Mr. Alexander has explained, as I heard him and as I understand it, that up until the recent amendment to the PV act and the amendment that is now in the PCV act Bill 78, there had been no formal procedure for the transmission of policy from government to the board.

As Bruce has said, there is no formal procedure in Ottawa in the same relationship between the federal government and their boards. Mme Sauve in her new communications act is putting in similar provisions to those I have now in the PV act. The minister may recommend to cabinet certain policy matters, and if cabinet agrees then an order in council is passed. That order-in-council transmits the policy to the board. We have done that on the PV—the first order in council was passed two or three weeks ago, as Bruce has said, and it has been transmitted. That is really the only formal written policy direction that has been transmitted from government to the board.

The other one that comes to mind was the matter concerning the class R licences and the moratorium. I don't have the provision to do that under the legislation now by order in council. I made a statement in the House that I was asking the chairman to initiate a sort of moratorium on licences for a period of time because it was our opinion, on certain consultations with the chairman and with our people in the field, in talking to contractors and truckers both,

that at that time there were sufficient class R licences.

[8:30]

I made the statement in the House. A copy of the statement was forwarded to the chairman. He accepted that as policy, although it wasn't a formal system. I don't recall directly, but in hearing discussions at last year's estimates in discussing transfer of licences, I think Mr. Shoniker quoted Leslie Rowntree or Irwin Haskett, one or the other, in a policy decision that was made by the minister at that time with regard to protecting creditors of companies that had applications before the board for transfers. Since that time, the board has carried on that policy of making sure that if there's an application before the board for the transfer of a licence and if there are creditors involved there have to be arrangements made for those creditors to be looked after either by the seller or the buyer before the licence can be transferred.

Mr. Cunningham: There's nothing wrong with that, though.

Hon. Mr. Snow: That was a policy directive from the minister at that time, although there was no formal way of transmitting it.

Mr. T. P. Reid: I agree and I fully understand that side of it. I want to get it on the record.

Hon. Mr. Snow: What side are you looking for then?

Mr. T. P. Reid: To go back, I want to know what are the limitations on the board itself? For instance, let's take, if it'll make everyone feel better, the theoretical approach of perhaps tomorrow Mr. Alexander getting up and saying: "I'm not satisfied with the sort of definitions we've been using for public necessity and convenience, and everybody who has to apply has to have blue eyes, and now that's the policy."

Is that within your purview, Mr. Alexander? Can you change the rules of procedure—

Hon. Mr. Snow: Not if he wants to stay as chairman.

Mr. T. P. Reid: —not the rules of procedure, but the requirements, without addressing the Ministry of Transportation and Communications and the minister? That's the other side of the policy-making decision.

Mr. Alexander: I guess you really have to talk about the constraints that are on the board in the terms of the discretion that it has, to answer that question. The constraints are really the ones I've described, except that I think the board operates within a cer-

tain understood methodology and receive body of knowledge about what it does. Although I think it is legally possible that the board might make a dramatic departure, I think it is quite unrealistic to assume that.

First of all, you have the corrective action of a review procedure. In a review, something that was inconsistent with the way the board has practised previously, I think would be brought out and corrected—I mean so wildly inconsistent as your example. In addition you have the corrective measure of the petition to cabinet itself, which would sort out that type of wildly inconsistent decision. One of the type that you're talking about and I don't mean to use it as an example would certainly be one that would be struck down by the courts anyway.

Hon. Mr. Snow: Or it could be appealed to cabinet.

Mr. Alexander: It could be petitioned to cabinet or it could be taken to the courts so we operate within those constraints. We still interpret public necessity and convenience, and we interpret it basically on the evidence that's in front of us. We have to address the issues as they're presented to us in the hearing room or in the affidavits.

We have the responsibility to make our decisions, under the Statutory Powers Procedure Act, based on that evidence. We have to be responsible in the way that we do it. We're required to write reasons in every case, if we're requested, and those reasons have to stand up to public scrutiny. So far as I'm concerned that's a very great constraint on us if we're attempting to be responsible in what we're doing.

In my view, as I said earlier, at the present time we don't have—and perhaps there has been a problem in the past, the board has had a clearly identified way of getting policy direction. With a piece of legislation that provides for that instrument, then, it seems to me the division of labour should be that the government should take the responsibility for making dramatic departures in policy.

Mr. T. P. Reid: That's fine. That's all I wanted to hear.

Mr. Philip: I circulated to the minister and to the deputy and a number of other people involved a resolution that was passed by the Ontario Federation of Labour convention this morning around 11:30.

It concerns a matter that I have raised with the assistant deputy minister on a number of occasions; namely, the question that we all agree on, that medical standards need to be set for people who are driving very heavy vehicles on the highway.

Hon. Mr. Snow: I disagree with you. I say medical standards must be set for people who are driving any vehicle on the highway.

Mr. Philip: In particular, though, those who are driving extremely heavy and somewhat dangerous vehicles.

Hon. Mr. Snow: They may be different standards, but you must have medical standards for every driver.

Mr. Philip: The problem arises, however, when you have certain individuals who have had a medical problem and whom medical practitioners seem to feel have overcome that particular medical problem. I refer particularly to people who perhaps had a heart condition they have been able to recover from and the physician seems to feel are very unlikely to have a recurrence of the condition, at least in the near future, and to people who are diabetics and have that particular problem under control.

The resolution that was passed today points out the fact that in any other kind of decision in which a licence is taken away there is a whole appeal process. Under the system we have, the right of a person to come and prove that in fact his medical condition has changed and to provide medical evidence to that effect is not available to him. I have had a number of cases that I have brought to your attention. Once the decision is made, once the driver qualifies for loss of his licence he is, in fact, unemployed.

Hon. Mr. Snow: He can appeal to the Licence Suspension Appeal Board or to the medical review committee. I'm surprised you're not aware of that.

Mr. Philip: In cases that have been brought to my attention, when the individual does appeal, in fact, he is not provided with the medical documents or to the medical decisions that have disqualified him, that have removed his licence.

Hon. Mr. Snow: The reports that the ministry uses in most cases are submitted by the driver himself. The main evidence that the medical review committee or the appeal board considers is the doctor's report submitted by the individual. I have a case right now that has been brought to my attention concerning an elderly gentleman who has had characters removed and submitted copies of to different reports that he has obtained from two independent ophthalmologists of his choice. Those reports have been submitted and will go to the medical review committee.

Mr. Philip: In conversations I have had with your assistant deputy minister I have had it clearly indicated to me that there is an appeal procedure; the decision is final. In

the cases of my constituents, this is the result of the conversation I have had with him.

Hon. Mr. Snow: Are you referring to Mr. Humphries?

Mr. Philip: Yes. That is, in fact, what he has told me.

Mr. Humphries: I'm not prepared to accept that. I don't recall having given you that kind of information. The practice is that when the question of the medical standards of the individual comes up, he must submit a medical report. That medical report goes before a medical advisory committee, which evaluates that report and advises me as to what action should be taken on that report.

If the action is that the licence should not be issued, that fellow has a right of appeal to the Licence Suspension Appeal Board. That's what that appeal board is there for. If he still does not succeed, if he still is without his licence and if there should be a change in his condition, there is nothing to prevent him from making a reapplication for his licence with new medical evidence. That happens all the time. Certain people are off the road because of their medical condition at a predictive point of time. If that medical condition changes and if another medical report is submitted, it is again reviewed. The standards are met, that person gets his licence back.

Mr. Philip: With the greatest respect, I will deal with a very specific case which I brought to your attention, namely, a bus driver in Mississauga who had a heart attack. The doctors claimed he would not have any further trouble in driving that vehicle.

Mr. Humphries: I understand the problem now. That fellow's doctor expressed an opinion that he should be allowed to have his licence, but the medical advisory board did not agree with that doctor's assessment. Their evaluation of that medical report was that he shouldn't have his licence. He's now got an appeal to the Licence Suspension Appeal Board, and all the medical evidence that goes before the medical advisory board is made available to the Licence Suspension Appeal Board. It is all there.

Mr. Yakabuski: I have had similar situations to the one Mr. Philip raises and pursued them quite vigorously with Mr. Humphries and others in your branch. There is no question about where our sympathies lie because many of these people are dependent on driving for a living. As a matter of fact, we were just talking about this this evening under another heading. One of the things we have to take into consideration is the doctor might say that the person's condition is stable, stabilized with medication, but we don't know the

day or the morning or the afternoon that this particular person may forget to take that medication.

Mr. Haggerty: That applies to anybody.

Hon. Mr. Snow: Let's clarify that report that you got on the record now.

Mr. Haggerty: A heart attack can happen to anyone on medication.

Hon. Mr. Snow: No, Mr. Yakabuski was saying that a person might not remember tomorrow to take his medication. You said that can happen to anybody. That doesn't happen to people that are not on medication.

Mr. Haggerty: No, I meant the other way around, that a heart attack can happen to anyone.

Hon. Mr. Snow: You had a very erroneous statement on the record and I want that clear.

Mr. Yakabuski: I too have felt at times that maybe the medical advisory board or whatever you call them have been harsh in their decisions but, thinking about it in a deeper way, I guess I have to admit I agree with them. I know in the House here if one of these people had an accident that school children were killed in, or anyone, I know who would be the first to ask how come he was driving. Anyway, I think we get to the point where, if this condition stabilizes—

Mr. Wildman: All of us would.

Mr. Yakabuski: —without medication, then your medical advisory board would be willing certainly to review the circumstances.

Mr. Humphries: There are no restrictions whatever on the review of any case. Anybody who's got a case can have it reviewed as often as he wants.

Mr. Yakabuski: There'd be no point in reviewing it if he was continuing to take medication.

Mr. Humphries: Right, in many cases there would be no point in reviewing it.

Mr. Yakabuski: This is what I'm getting at.

Mr. Philip: I wonder if we could take a specific case then and follow it through as to how it would be dealt with. Maybe we can get some insight as to what's going on. You have the fellow who has had a heart attack. He's been on workmen's compensation perhaps. His licence has not been grandfathered and therefore, for whatever reason, he has to go and renew his licence. He finds that he can't get it renewed. His next procedure then is to make an appeal to the—

Mr. Humphries: Let me stop you there. Why would he not be able to get it renewed?

Mr. Philip: Because he's had a heart attack. The medical evidence then suggests that he's not allowed to drive.

Mr. Humphries: A decision has been made. The medical advisory board has reviewed this case, has advised me that the man shouldn't have his licence and I have suspended his licence. How can he renew [8:45]

Mr. Philip: What is the appeal procedure from there?

Hon. Mr. Snow: Licence appeal board.

Mr. Humphries: Licence appeal board.

Hon. Mr. Snow: The medical advisory board advises Mr. Humphries on medical information. We get information on drivers from various sources. The police will report to us individual drivers they feel should have a medical review. They know of someone in their town or their area, or they have observed a driver they think might have a medical condition and we may get a report from the police. Many, most perhaps, evolve from the doctors. It is in the act that if your personal physician, your family doctor, observes a medical condition you have, it is his obligation to report that to the ministry. We get anonymous letters in the mail sometimes, which say poor old John Smith is a very nice fellow but he is 88 years old and we don't think he is healthy enough to drive. In that case, I believe the ministry would write and ask for a medical report of that individual to supply the ministry with a medical report from his doctor.

Mr. Cunningham: Are there any other reports than medical or information from the police that is of a non-medical nature that you take action on? Would you take action if I said I think Joe Smith is a crummy driver and he has had six violations?

Hon. Mr. Snow: We would have that on our computer. We wouldn't have to get that kind of information.

Mr. Cunningham: You may have it on your computer, but the guy may be driving between appeals or doing all sorts of funny things.

Mr. Humphries: I would have no authority to take that man's licence away.

Hon. Mr. Snow: We can't take the licence away unless the court has taken it away unless he has accumulated the number of points to say it should be suspended. It is suspended automatically at 15.

Mr. Humphries: At nine it is discretionary. At 15 it is mandatory.

Mr. B. Newman: I was going to ask you if the same holds true for a person who has an alcohol problem and has had his driver's licence suspended because of driving while intoxicated. You probably check with the doctor or you check with someone else and discover he has a long history of indulging a little too often. How does that individual get his driver's licence back?

Mr. Humphries: On signed medical evidence that he does not have that problem any longer.

Hon. Mr. Snow: I have had that reported to me personally. I had a doctor within my former riding when it was larger, before I was Minister of Transportation and Communications, report to me that a certain individual had a serious alcohol problem. Actually, in this particular condition, that individual had a suspension. His licence had been removed for medical reasons. Somehow or other, he appealed and got it back. Then he had gone off the rocker again and his doctor reported this man had his licence back and in his condition shouldn't have one.

Mr. Cunningham: What did you do?

Hon. Mr. Snow: I gave the information to the minister.

Mr. Cunningham: And what happened?

Hon. Mr. Snow: His licence was removed.

Mr. Cunningham: On what basis?

Hon. Mr. Snow: Medical evidence.

Mr. B. Newman: What happens if one piece of medical evidence comes along which says the individual hasn't conquered the problem and the individual goes to another doctor and gets the evidence from the other doctor that says he no longer has the problem?

Mr. Humphries: That is not an unusual situation.

Mr. B. Newman: How do you resolve that?

Mr. Humphries: Sometimes it is rather difficult. Let me give you a very dramatic example. This fellow had been without his licence for several years not because of diabetes, but for epilepsy. He kept coming in on his own saying, "I really don't have epilepsy. This is not right." He brought in medical reports from three doctors all saying he didn't have epilepsy. On that basis we said "We will reinstate your licence but since you have not had your licence for seven or eight years, we will have to give you another driver's test."

On the way from the interview to the place where we were going to give him his driver's test, he had one of the most violent epileptic seizures you have ever seen. That demonstrates the difficulty that can arise. It's not unusual to get one doctor who says, "This fellow's okay," while another doctor says he isn't. The medical review board is three doctors of the most senior calibre in this city. They have a pretty good idea. They do a very thorough review of these cases.

Mr. Philip: Do I take it then that the appeal is before a different set of doctors than the previous ones?

Mr. Humphries: It's not before doctors at all. It's before the Licence Suspension Appeal Board, which is chaired by a lawyer.

Mr. Philip: They take the advice, at least in a consulting capacity, of the medical advisory board?

Mr. Humphries: No, they take all the medical evidence on which the committee made its recommendation to me. The appellant has every opportunity to challenge any aspect of that medical evidence.

Mr. Philip: If you look at this resolution which was introduced, I believe, by the brewery workers union at the OFL convention, it clearly indicates that they don't think there's an appeal procedure. That's the way I read it. That was my interpretation, with the greatest of respect, in talking to you about an individual case, that once the decision had been made, the chances of getting any kind of reversal of that through any appeal process were pretty well nil in the case of a Mississauga bus driver who'd had a heart attack.

I ask you what is it then that would cause a major union involved with truck drivers to have that kind of misconception and would involve a number of members of the Legislature, judging from the conversation around this committee, to feel then that the appeal procedure was not effective?

Mr. Humphries: There is some misunderstanding somewhere because the unions were very closely involved in the development of this program. They were very much a part of the development of this program. We have been dealing with union problems in this area for two years now that the program has been in effect. I can't understand why there is a misunderstanding about the procedure that's available.

Mr. Philip: I'm certainly going to go through my files and recycle my particular case of the fellow with the heart attack to see if we can get him his licence.

Mr. Humphries: I would have told you that he couldn't get his licence back at that time, other than by going by appeal. If he lost his appeal, he couldn't get his licence back. That's on the basis that his condition has not changed. If his condition has changed, then it's open to complete review all over again. That would have to be initiated by the individual himself, not by the ministry.

Mr. Cunningham: The minister made a point about the alcoholic situation. I wonder if the individual—I'm just talking hypothetically here—restricted his or her drinking to non-driving events. That's hard to believe, but I'm serious about that. Aren't we under some legal obligation to give the individual the benefit of the doubt until he gets caught?

Hon. Mr. Snow: In particular cases—

Mr. Cunningham: I can think of a lot of people who like to drink. They're great drinkers but they won't drink and drive, just as a lot of guys who have flying licences won't fly and drink. When the plane sets down, they may be inclined to have the odd drink.

Hon. Mr. Snow: Not if they are going to fly again within 24 hours. If I'm going to fly tomorrow morning and I'm going to a cocktail party tonight I'll drink soda water all night. I will not drink tonight if I'm flying tomorrow morning. I must say there are perhaps a lot of people who are maybe not as conscientious as I am, but that's the situation.

Mr. Cunningham: If the minister would stop interrupting—I'm just wondering procedurally how you come to grips with that situation, though.

Mr. Yakubuski: Do you ever see the pilots come in from the airport and hit the hotels?

Hon. Mr. Snow: I don't think any responsible doctor would report a situation to the ministry that so and so was a social drinker and shouldn't have a licence. I think the particular case that I had brought to my attention a few years ago was one of a man who had a very serious problem. In that doctor's opinion—a very well known and highly respected doctor—he felt that man was in no condition to have a driver's licence under any circumstances.

Mr. Gilbert: I think those are the kinds of cases you're talking about.

Hon. Mr. Snow: I felt it my duty to pass that information on to the ministry. I can't tell you exactly what happened after that. I sent the information to Mr. Humphries about four or five years ago.

Mr. Ziembra: A quick supplementary, Mr. Chairman:

When you suspend a licence for medical reasons that means someone who has had heart attack, someone with a heart condition, epilepsy or alcoholism. There isn't a specific category for alcoholics. It all comes under that one heading, "medical reasons."

I would be curious to know, if you'd break them down, how they compare over the past five years—people with licences suspended because of alcoholism. Could you get those figures sometime for us?

Mr. Humphries: Very easily, yes.

Mr. Haggerty: I've had a couple of dealings with Mr. Humphries and he's been most helpful to me and he's advised me what the constituent should do. I think both cases related to a heart condition. He advised me it had to go to a medical review board and the proper information submitted that consideration is given. In both cases they've been reinstated with certain stipulations—that they would have another medical within a certain period of time. I think this has been going on a couple of years and both of them are back driving a truck.

Mr. Philip: I wasn't suggesting that Mr. Humphries in any way misinformed me. He always been very co-operative, except that in this case either he or I made a mistake and obviously the unions seem to have made a mistake in understanding what the situation is. There's a communication breakdown somewhere.

Mr. Gilbert: We'll definitely answer this Mr. Philip.

Hon. Mr. Snow: I'm sure this resolution will be forwarded to me, probably by the

Mr. Philip: I wanted the resolution simply to be dealt with. I am in no way being critical of Mr. Humphries who always has been very helpful to me.

The other matter on safety I wanted to deal with was a matter I raised in the opening statements, namely, the matter of the Ontario Safety League and the licensing of driving schools. I think I've said enough on it. You've probably read some of my statements and I've read some of the statements of it seems to be, from my discussion with the Ontario Safety League, an organization I have a lot of respect for, that they really got into this business of rating driving schools simply because the ministry was not in it. They're doing a job they really don't feel qualified to do, which they don't want to do and which they would really prefer to get out of because there are so many other things they do so well.

Here they're stuck in this business of certifying or rating driving schools. They're not doing a good job on it. They admit they're not. The industry admits they're not and the consumer isn't happy. I want you to address yourself to that.

Hon. Mr. Snow: I've been addressing myself to that long before I ever heard from you on it, Mr. Philip, although we have had correspondence recently. I have been concerned since I became minister, as my staff will tell you, with the whole matter of driving schools, the quality of the program they provide, the business ethics in some cases, advertising practices. We have instances where our provincial trillium is on their sign, which would give a false impression to the student that it was some kind of government-approved school, which it is not. There are many things with which I've been concerned.

We've been working on this. We have prepared a white paper, our discussion paper, on driver education. We had certain input from the select committee on highway safety. We went further than that and have prepared the discussion paper of which 3,000 or 4,000 copies have been distributed throughout the province—about September, I think. We have asked for input on our discussion paper by December 15 from all those interested. We're now getting that.

[9:00]

I notice in my mail—every day this week, believe, there have been replies from different groups—from school boards, from high school teachers that are in that course, from school business administrators, from driving school people themselves. One letter I saw in my mail today was from an individual driver-instructor. That information is all coming in.

We have put forward points for consideration—the possibility of a self-regulating system of some type, the possibility of a government system of licensing. We had hoped to have that discussion paper out in time and to have response in the fall, with the thought of possible legislation this fall. We were later than we expected getting the paper out. Some of it had to have some modifications and be rewritten. Then we had to get it printed and distributed, so we set the date at December 15.

It is my intention that we get all that information in. The staff will tabulate it, we will look at it all and hopefully get a policy decision early in the new year. If legislative action is needed for whatever our policy decision is, hopefully we will have that legislation ready for the spring session.

Mr. Philip: Is it safe to say from the replies you have had that they are similar to the kinds of comments I have had: that the industry is so fragmented that self-regulation is unlikely to work?

Hon. Mr. Snow: I wouldn't say we have had that many—I have seen a number of the letters come in. I've had time to read some of them. Today there was one consisting of eight pages of foolscap. I glanced through it but didn't read it all, because it will have to go to staff to be analysed with regard to all the different points this person was making.

I would like to see self-regulation but I have personal doubts whether that will come out of this. As you will recall, a few years ago the Minister of Consumer and Commercial Relations brought in legislation covering the tourist industry—travel agencies, tour directors, this type of thing.

Mr. Philip: Then we had Blue Vista go under and he decided self-regulation wasn't such a great idea after all.

Hon. Mr. Snow: I haven't heard any complaints about it. It is working quite well, as I understand it.

Mr. Philip: As I recall, he ended up changing—

Hon. Mr. Snow: I think Blue Vista, if I recall correctly, went under prior to this coming into being. It probably had something to do with the necessity for it.

Mr. Philip: As I recall, that isn't completely true. Blue Vista was covered to some extent by the—in any case, he changed the regulatory system the last day before they were to reappoint their own board or regulatory agency. I wish I had Iain Angus around the House, because he was the expert on that. No doubt he will be back to give us his advice in another year or so.

Mr. Chairman: We could always invite him in.

Mr. Cunningham: If I could just make one point to you: I think, personally, having met with these people, that self-regulation is the way ahead for you. If you would combine the Ministry of Education, which has a real role to play in this, and industry itself into an effective, democratic self-regulating board, I think you would do quite well.

I think there is a necessity to establish a standard for these teachers and to see that they come within that board and adhere to the regulations of a self-regulating board, and that the board looks after them. I think that is completely within the context of this new era of deregulating. I regard self-regu-

lating to be deregulating. If they operated on their good behaviour and—

Hon. Mr. Snow: I agree with the system. The industry feels it will work to have a system of self-regulation. You have it in other industries and I think it would be the way to go. There is quite a fragmentation. There are different groups. There are individuals who may refuse to be members of any organization or to be self-regulated.

Mr. Cunningham: You can't build a house now in Ontario unless you're in HUDAC.

Hon. Mr. Snow: No, that's not right. I can build a house tomorrow and I don't have to be in HUDAC.

Mr. Cunningham: A house for sale.

Hon. Mr. Snow: I can build under a contract.

Mr. Cunningham: A contract to a HUDAC—

Hon. Mr. Snow: I could build you a house tomorrow under a contract without having anything to do with HUDAC.

Mr. Cunningham: All right, but then you—

Hon. Mr. Snow: Provided your credit rating is good, I'll do it.

Mr. Cunningham: I'm not so certain I'd want you to build it.

Mr. Philip: When does the minister expect to have some kind of legislation before us on the driving school issue and will he share with Mr. Cunningham and myself some of the raw data he has obtained from the various groups out in the field on the driving school issue?

Hon. Mr. Snow: As I said not five minutes ago, I hope over the winter, we will assess all the feedback we're getting and start the process of developing our policy. If legislation is needed, I hope to have it ready for the spring session.

Certainly as far as you, Mr. Cunningham, or any of the members are concerned, we would appreciate your input and suggestions by way of reply to the white paper and I'll certainly be prepared to discuss with you what we're doing when I have that policy developed to a stage where I'm ready to discuss it.

Mr. Philip: In reference to the paper you kindly supplied me with concerning my questions on balloon tires, are you saying in that report that you are prepared to initiate a program by MTC regarding the safety of these tires or that you aren't? It says it depends on priorities relative to the main questions regarding truck safety. From that I'm not sure whether you're going to proceed with that or whether it's simply another way

of saying no, we're not going to allow balloon tires on Ontario roads. I'm confused by the answer.

Hon. Mr. Snow: Mr. Ian Campbell is here with us. He is the executive director of research. I believe that is your official title, Ian?

Mr. I. C. Campbell: I suppose so, yes.

Hon. Mr. Snow: Close enough. The report on the research on the balloon tires has not come up to the policy level yet, so what you have, I haven't even seen at this point.

Mr. Philip: Eric and I beat you on the light rail the other day, dashed all night. We're getting a head start on you all the time.

Hon. Mr. Snow: When this research is completed and when the staff is ready to make recommendations to me, it will come forward at the policy committee meeting we have on Monday mornings.

Mr. Chairman: just before we go on this research end of it, is the committee through with the Ontario Highway Transport Board or do we keep the members here?

Mr. Chairman: We're still on vote 250, safety and regulation program, under which the highway transport board comes. Did you have any further questions relating to the highway transport board, Mr. Philip?

Mr. Philip: I'm satisfied we have an excellent chairman now. Everything's going to be really great with the highway transport board after we've done our inquiry.

Mr. Chairman: That's fine then. We shall proceed with Mr. Campbell.

Mr. Gilbert: Mr. Philip, what you asked for as I recall was an update on where we were on this program. That's why we supplied you with an outline of just where we were. As the minister says, we haven't gone to the point of recommending any policy to him and haven't really had any discussion on it. Go ahead, Ian.

Mr. I. C. Campbell: The tire testing we have been doing has been on wide-base radial tires to check whether they are as good as regular radials or even bias-ply tires from the point of view of stability. This relates to the productivity and efficiency of the trucking industry because there are certain advantages in using wide-base radial tires. The safety of tires themselves is the responsibility of the federal government and the standards for trucks and their design are the responsibility of the federal government. How they are used in practice and in con-

bination could be the responsibility of the ministry.

Two years ago we started doing some full-time testing on trucks including the combinations and various aspects of safety such as pup trailers and stability and braking and this sort of thing. We have no real information which tells us balloon or flotation tires are any more dangerous than regular tires. We know if a front tire blows out on any vehicle, there's a problem. Whether a balloon tire is a greater problem than a regular tire, we don't know, although we haven't had many accidents from that source. This is my understanding.

We also checked into the transportation research data bank in the US which is also tied into the European data bank. We have searched that through our computer and we find there's no continuing research on flotation tires, nor do we find there's any apparent need.

I think what we say in this paper is the whole area of front-tire blowouts on particularly heavy loads may be an area of fruitful research, although we have other major projects which are continuing and on which we have priorities because they indicate a greater severity of problems and safety. This is really what I have to say on that. Does that clarify it?

Mr. Philip: I guess our problem is one of energy consumption and of consumer saving. If you think of one shipper in the trucking industry indirectly as a consumer, I am sure you will admit there is considerable financial saving to the trucking company both in terms of energy and in the use of these tires.

Mr. I. C. Campbell: And tires too.

Mr. Philip: Also the cost of tires is a saving once the original changeover is made. Certainly, a lot of people in the trucking industry are anxious to get these savings and, certainly, it would be of benefit to the consumer. There are also some arguments in terms of safety I am sure you have read from the British experiments.

Do you have any idea when we may have some kind of recommendations from you as to whether or not they will be allowed in Ontario? In other words, whether the weights can be changed to allow for this kind of tire to be used on trucks on our roads?

Mr. I. C. Campbell: This summer, we did the full-scale testing on stability with the trucking industry. We have also done some studies and investigations on fuel consumption. We are also presently working out the loading on pavement. We have a piece of instrumented pavement. This was done this summer, and we have a tremendous amount

of data from all instrumentation which has to be reduced, digitized, analysed and so on. We expect some report in March 1979. It's when we expect some information on this.

Mr. Gilbert: If our research people, Mr. Philip, come up with a report in March 1979, it would be an opportunity for us to discuss this at our policy committee meeting with our minister. He would be in a position then to decide just what action he wants to take after that.

[9:15]

Mr. Wildman: This is in regard to licence fees. Would that be under this vote?

Mr. Chairman: Yes.

Mr. Wildman: I have had some extensive correspondence with the minister and with the ministry, and phone conversations and so on, regarding a matter which is close to the chairman's heart, I'm sure, namely, the \$10 licence fee in northern Ontario. When the matter was first introduced prior to the 1977 election campaign to try to compensate for higher gasoline prices in the north, it was originally intended just to apply to passenger cars that were used for personal or recreational transportation.

When a number of residents of northern Ontario pointed out to the ministry that many northerners had one vehicle, which was a pickup truck or a van which was not used for commercial purposes but for personal or recreational purposes, the minister—and we supported that move—changed the position and expanded the licence fee to apply to those kinds of vehicles as long as they were used for personal or recreational purposes.

However, when it came time to renew licences and purchase licences last spring, we ran into some serious difficulties in that there appeared to be some differences of opinion or differences of application, I suppose, for this. This was largely in terms of campers, where many of the pickup trucks had heavier suspension systems in order to enable them to carry campers safely. They were so-called three-quarter-ton trucks rather than the half-ton pickups.

We found there had been in the regulations a weight limit placed at what I think was 2,400 kilograms. We found if somebody took the camper off his truck when he went to apply for the licence, he was under the weight limit, but if his neighbour had a similar truck but left the camper on, in many cases he was over the weight limit, and in some cases just over the weight limit. It appeared that there was some confusion with the licence bureaus as to how this thing

should be applied. We had situations where, in the case of people with similar vehicles, some were having to pay the more expensive licence fee and others were paying the \$10 licence fee.

At that time I wrote to the minister and suggested that perhaps a way to solve this problem would be to raise the weight limit to something like 10,000 pounds, instead of the 5,292 pounds or 2,400 kilograms it is now. That would cover most of the so-called three-quarter-ton pickup trucks.

At that time, the minister wrote back and said he wasn't in favour of that. I must admit that really threw me. When I pointed out that someone driving a luxury automobile and pulling a trailer, who perhaps could certainly afford to pay more, was in fact paying less because neither of them was a commercial vehicle, the minister replied by thanking me for bringing this matter to his attention and suggesting they would increase the licence fee for those kinds of trailers. It sort of backfired on me. I had hoped it would increase the minister's desire to expand the \$10 licence fee, but it apparently had the opposite effect.

As the minister will know, during the last couple of days I've introduced a resolution in the House—it's on the Order Paper—removing the weight limit altogether. As long as the automobile is owned and used primarily for personal and/or recreational purposes, a resident of northern Ontario would be eligible for the \$10 licence fee.

An hon. member: They should have it in southern Ontario too.

Mr. Wildman: I wouldn't be opposed to that. I'm not opposed to that. Frankly, it doesn't really compensate for the higher gasoline price. We all know that. It was a gift. I wouldn't be opposed to expanding it to the south, but that's your fight, not mine.

I'd like to know what the response of the ministry is. Are you willing to consider removing the weight restrictions as long as it's for personal and recreational facilities rather than commercial?

Hon. Mr. Snow: No, I'm not prepared to consider that. You are asking now for a total weight restriction. A person could have a 50-ton truck and ask for a \$10 licence.

Mr. Wildman: If he had a logging truck and claimed he only used it for recreational purposes.

Hon. Mr. Snow: Sometimes people do use large trucks as personal transportation to get to and from work in off-season and so on. This is really a revenue matter and I don't set revenue policy. We administer it. You

would have to take that up with the Treasurer.

Mr. Wildman: I appreciate that. I was told unofficially by members of the ministry in northern Ontario that the reason they couldn't expand it and rationalize it was simply because of the fact that Darcy McKeough and the Treasury people were concerned about the loss in revenue that they might produce.

Hon. Mr. Snow: I'm sure if we raised it to include a three-quarter-ton truck there would be a number of people who have one-ton trucks—

Mr. Wildman: That's a fair step.

Hon. Mr. Snow: —who would then feel they were being jeopardized because they were just over the limit. I understand the problem.

As you stated, when the policy was first announced in the budget, it was only applied to privately owned automobiles. I was the first to realize this was a problem because I know how many people have pickup trucks for personal transportation, especially in the north, but not only in the north. They all quite often have a pickup truck as a second vehicle, for driving to work, to the mine to the logging camp, to the construction site to carry their tool box, or whatever. I feel it was totally unfair that those people who use that type of a vehicle should be paying a high licence fee when the wealthy person can have a second Cadillac for the \$10 fee as long as it's not registered in a comparative name.

We saw that and I took that problem to the Treasurer. He agreed to the change in policy. We feel at this moment anyway that we have to stick tight with the 2400-kilogram limit or whatever it is.

Mr. Wildman: I appreciate that and I raise the matter with the Treasurer.

Hon. Mr. Snow: You will have the opportunity to get on the record again. You can send out another 500 copies of Hansard for your second go round.

Mr. Wildman: I will.

Vote 2503 agreed to.

The committee recessed at 9:24 p.m. for a vote in the House and resumed at 9:55 p.m.

On resumption:

On vote 2504, provincial roads program:

Ms. Gigantes: Mr. Chairman, the question I'd like to raise with the minister—

Mr. Haggerty: I've been here all evening. Mr. Chairman, I thought Mr. Miller was here before anyone.

Mr. Chairman: Go ahead, Ms. Gigantes.

Ms. Gigantes: The question I wanted to raise with the minister is one with which he is already familiar. It is the terrible difficulties that have arisen around a particular strip of road in the riding of Carleton East. It's that point of Highway 17 where the Queensway turns into Highway 17. Eight lanes of traffic converging into four lanes of traffic, and there are a number of off and on ramps. The minister will recall correspondence on this subject which goes back, to my knowledge, as far as January 18, 1978, in a letter he received from Mr. O. A. Davey of Orleans. Mr. Davey, in that letter, spoke of the accident.

Mr. Davey is not a long-time resident of the far east end of the riding of Carleton East, but at that point he already knew of a very serious accident which had occurred around the middle of December 1977 involving an eastbound motorist. The car was leaving the Queensway and apparently the motorist failed to understand the Queensway as turning into two lanes at Highway 17. There was a five-car pileup, a fairly serious accident. On the evening of January 17, 1978, a very similar accident took place in which there was a high-speed head-on collision which claimed the life of one person and seriously injured another.

Mr. Davey corresponded with the minister and the ministry and received a response in February which suggested that a meeting between—I don't know if there was a meeting actually, but Mr. Childs of the eastern Ontario regional directorship in Kingston for the ministry had come to the area. He surveyed the situation and recommended changes in signing at that location on the highway. However, the problem continues. I don't know if the minister himself has actually looked at a map of the area. It's one I know fairly well myself.

Hon. Mr. Snow: You're referring to the east end of the Queensway where it transitions from the four-lane divided to a two-lane undivided?

Ms. Gigantes: Right.

Hon. Mr. Snow: I am familiar with it.

Ms. Gigantes: There are a lot of complications—

Hon. Mr. Snow: I've driven it myself last summer.

Ms. Gigantes: You will be aware of the complications at that junction.

Hon. Mr. Snow: The same complications take place at any four-lane highway turning into a two-lane highway, unfortunately.

Ms. Gigantes: Yes, but at that particular section of road, as you are aware, there are several exit and entrance ramps. The speed limits have not been reduced significantly although the signing has been changed following the recommendations of Mr. Childs, as indicated in your letter in February.

The topography of the area is one that is causing particular problems, I believe. I've talked to a lot of people who are very familiar with the road. I've driven it myself many times and have had difficulty negotiating it. It's a particularly difficult area for some reason. I think the topography contributes to the problem—to figure out which way you should be turning to find the correct entrance ramp, depending on whether you want to turn on to Highway 17 or continue to Orleans or get back to the Queensway. There are a lot of choices involved in that particular stretch of road. It is a road which goes up and down and into curves, just at that section of the highway.

The actual problems that exist in that road have unfortunately been demonstrated by a number of very serious accidents. Two have been described to you in a letter of January by Mr. Davey. He wrote to you again in October.

Hon. Mr. Snow: Who is Mr. Davey?

Ms. Gigantes: Mr. Davey wrote to the minister and to Mr. Childs. I believe you received a copy of that.

Hon. Mr. Snow: Can you tell us who Mr. Davey is?

Ms. Gigantes: Mr. Davey lives in Orleans. He is a citizen who lives in that area, and who has not lived there for very long. He is a resident in a new development in that area.

As you are aware, under the new regional plan and indeed before the passage of the new regional plan in Ottawa-Carleton, this area of the former small town of Orleans, is slated for growth up to a level of 75,000 people. A lot of that growth has been happening already. It is one of the large growth areas in one of the fastest growing areas in Canada.

To keep track of the traffic problems there, I understand, is difficult. I have a strong feeling, this is to get a little off track—the Ministry of Transportation and Communications and transportation officials regionally shouldn't be approving development in areas like that until they can assure themselves the transportation routes are not only comfortable, but safe.

Hon. Mr. Snow: Well, first of all, Ms. Gigantes—

Ms. Gigantes: If I could finish, Mr. Minister, and then perhaps you could comment.

Hon. Mr. Snow: I may not have time to answer then.

Ms. Gigantes: I don't intend to take very much longer. I do wish to point out to you, those were two serious accidents which have been brought to your attention. They were answered by your ministry in terms of trying to change the signing on that stretch of road to improve or to do away with some of the traffic hazards, let alone inconvenience, in that area.

There have been two further serious accidents in that area within the last few months. Mr. Davey again wrote to you concerning a very serious accident which happened in September on that very same stretch of highway. There was discussion at Gloucester township council concerning the particular stretch of highway. In July, one young man from Cumberland was killed. That may have been an accident due to his own negligence. That certainly is not clear to me.

There was a very serious accident that occurred there just within the last month. Mr. Davey wrote to you within the last month—I am losing track of all these letters here—and described yet another serious accident which happened in that stretch of road. It, as I recollect, had involved the death of one person and severe injury to another.

Just last week it was brought to my attention that you had another letter from the president of the Convent Glen Home and School Association which described an accident. This was a pedestrian accident, again in the area of Orleans, although not in exactly the same area I am describing. I think it also indicates the kinds of problems that are building up there in terms of safety, both for motorists and for pedestrians. This was a child who was hit on August 30.

That child is still in hospital. He has lost his speech. He has severe injuries. You have been appealed to by the Convent Glen Home and School Association to consider the installation of a pedestrian crosswalk farther along Highway 17 in the area I described previously, because the community which is growing up is one split by a major transportation route. Children are crossing there daily to go to cubs, to scouts, and to go to school, or just to visit friends.

[10:00]

The position has been put by the president of the Convent Glen Home and School Association in Orleans that there should be a pedestrian overpass there. I think it would

be a benefit to the area; certainly it would be an easing of the minds of people who live in that area, not only those who drive the route but also those who have children crossing that major transportation route.

The province should move beyond the position stated to Mr. Davey, in a letter. October 10, I believe, saying that in 1979 the highway will be widened and that's going to solve the problem. Mr. Minister, the highway may be widened in 1979 but, before it is widened, I'm afraid more people are going to be killed in accidents involving moving vehicles. Because of the topography of the area, I believe that it is critical to the problems that are being experienced there. Also, even if the highway is widened in 1979, there is going to have to be some special provision made for a pedestrian overpass, that children from a split community broken up by a major transportation route are going to be able to cross that highway in some degree of safety.

It seems to me that the speed is still too high there. If you can do nothing else, you should ask your ministry seriously to put signs and flashing lights about the dangers involved in that area. It is bad enough for people who know the route, Mr. Minister, even those people are getting killed. All the people who have been killed and all the people who have been injured knew the route; they lived there. For any stranger driving through the area, it's just a death trap. I myself have had difficulties, and know the area.

Hon. Mr. Snow: Are you finished?

Ms. Gigantes: Yes.

Hon. Mr. Snow: I am familiar with that particular piece of highway. We have had discussions on it. I don't recall their names, but I had discussions with one or two of the municipal representatives at the Ontario Good Roads Association annual meeting last year. I have also had personal discussions and correspondence with Mr. Belanger, a member for Prescott-Russell.

As you stated in quoting from those letters, we do have an extension of the four-lane divided highway of the Queensway, for a further six kilometres easterly to Orleans, scheduled for the 1979-80 program. That will extend the controlled-access highway a further distance there. I realize that is probably going to move the transition location, from four lanes to two lanes, six kilometres farther east. I know that's an area that has less traffic, but that's always a condition we have in transition from a four-lane divided highway to a two-lane divided highway. We have basically the same condition, although

exactly the same, in the new highway we opened just last Friday morning; I refer to Highway 417, past Kanata, where Highway 417 ends; there's a transition, once it passes Highway 7, back to a two-lane highway.

We sign those transitions as best as we possibly can, but we have literally dozens of locations throughout the province where we have them.

I don't have any easy answer. We have announced and have given a commitment that this needed extension of the four-lane highway section will be in our 1979-80 program. We have no request from the municipality, to my knowledge, for any change in speed limits. Normally, we deal with the elected representatives of the municipality on matters such as this. Certainly we receive letters from individuals, from home and school associations or from whomever. We reply to those and we give them the information we have available. But when it comes to discussing the details of the program, we deal with the municipalities.

If we get a request from a municipality for a change in the speed limit, we will certainly investigate the situation and, if it is at all reasonable to change the speed limit in that area, we will do so by order of council.

Ms. Gigantes: Mr. Minister, I understand that. A very extensive discussion took place at Gloucester township council on September 5. If I could, I would like to quote from the end of an Ottawa Citizen report of that discussion:

"Mr. MacQuarrie" — he's the outgoing reeve of Gloucester township — "said the township had been assured by the province that section of the road would be widened to four lanes. However, he added that the road, especially at Green Creek"—and this is a direct quotation—"should be looked at quite seriously" because of a poorly designed exit and merging system."

This was an outgoing council, and obviously it is difficult for such a council to take immediate action on a situation like this when it becomes aware of the number of accidents that have been literally piling up, with death and injury on that section of the road at that particular time in this particular year. I don't know particularly that it is poor design of exit and merging that is the problem. I think it is a design that does not suit the topography of the area.

If no formal request has come to you from the municipality, let me suggest to you that I am making a formal request; and it may well be followed up very quickly by

the incoming council of Gloucester township. Certainly the incumbent members who were re-elected are well aware of the problem, and I would expect that you will be hearing from the council on the situation very soon.

When you say that the same kind of problem exists in terms of narrowing in lanes of traffic to fewer lanes of traffic in many other areas, I understand that to be true. It just so happens that this area has proved to be a very dangerous area. I think that is associated with the topography and I think it requires special attention from the ministry, even more than it has had. If we have to wait another two years, there could be a lot more accidents.

Hon. Mr. Snow: I am not saying whether it is going to be two years or not—it probably will be close to two years—before the job is completed. But I have to tell you that it is not humanly possible to do it any faster. The job is under design now; it has been for some time. I made the decision in February 1978 that we would proceed with that extension. I wrote to Mr. Belanger at that time, telling him that we would be proceeding; and the Ottawa district and the eastern region have proceeded with the design.

If there is a design fault in the present situation, I am sure our people are looking at that as part of the design for the construction work that is to take place. We will certainly bring your comments to their attention as well, to make sure they are aware of your views. But the job has to be scheduled, it has to be fitted into our program, and it does take the contractor a little while to do the job.

Ms. Gigantes: I am not asking you to build a road on frozen ground. I am not asking you to go out and begin the work tomorrow. I am saying that while we know, and while you know, that the area is dangerous and it is going to be a couple of years before that danger is fully removed—and it may not be, because I think there is still going to be a pedestrian problem, which is very serious and needs attention—I think it is incumbent upon the ministry to examine whether there are possibilities between the status quo, which is terribly dangerous, and having the new road, which is two years down the line.

There have to be possibilities in terms of flashing lights and warning systems. I know that as a motorist in that area it would be helpful to have extra warning systems. I know that when I have to slow down to 35 miles an hour to know which exit I'm going

on—and I'm not a particularly stupid driver. I'm a pretty average kind of driver—I have to slow down and a person who is driving behind me at the signed speed can very well crash into me.

Mr. Gilbert: The whole thing is, though, as you were saying, our regional office has looked at it and has taken some action. We're certainly prepared to take a look at it again, but as the minister has said, when our staff are designing it they look at all these kinds of things, but from a short-term basis certainly our staff can take another look at it and see if there's anything else we can do to fix it.

Ms. Gigantes: That is what I'm asking, a very serious look at it. I'll be very grateful for that.

Hon. Mr. Snow: That's already been done once; we will do it again.

Mr. G. I. Miller: Mr. Chairman, I've been waiting kind of patiently for this for a long while. I'll try and be as brief as possible. I asked the minister back in September to send over a plan for Highway 3. I don't know just where it sits as far as bringing it into play, but there is a need for a connection to develop the south part of the Niagara Peninsula. Highway 3 plays a tremendous role. I wonder what the plans are for this new highway; would the minister care to comment on it?

Hon. Mr. Snow: Mr. Miller, you're talking about the proposed new alignment on the Dunnville bypass, I presume?

Mr. G. I. Miller: Yes.

Hon. Mr. Snow: We did discuss this with Mr. Haggerty at some length the other evening and I guess I'll have to give you the same answer as I gave then. We have a program under way for the upgrading of the existing Highway 3, and there have been two contracts there. One coming from Port Colborne westerly has been completed. Another one, as you're well aware, is under way at the present time.

We do have a very long-term plan for a new section of highway there on a new alignment, and I forget the name of the actual corners that it goes between. It's not Chambers Corners, that's the one up further north, it's the one down at the lower corner there. I did have correspondence from you. I sent you a map last fall showing the alignment that is being considered. It's certainly not within our five-year program. It is a job that will have to be considered with other priorities and will eventually, as I said the other night, be the subject of an environmental assessment and so on before it can be con-

structed, but we have no plans at this time to proceed with it right away.

Mr. G. I. Miller: What about the existing Highway 3 on into Dunnville from the position that has been reconstructed and is in the process of reconstruction now? Is this slated?

Hon. Mr. Snow: We are working at the moment on our plans for our 1979-80 program. That next section from Welland Port Road is it?

Mr. Haggerty: Welland Port Road, that right.

Hon. Mr. Snow: Welland Port Road is the end of our existing contract and from there through Dunnville is tentatively on our program for 1979-80. I'm not sure where it stands as far as the public meetings and what not that they're having down there are concerned. As you know it's a sensitive area and we will be discussing the proposed improvement plans with the municipality involved and holding drop-in sessions or information sessions so that all the members of the public in that area will have a chance to come in and see just what is planned. [10:15]

We did that for the previous contract, the one that's under way this year. Unfortunately, many people didn't appraise themselves of all the information and when the construction started there was a lot of concern with regard to removing trees and so on. We're trying to prevent that and we'll do everything possible to prevent it. We will hold the meetings, we will have the plans ready and we'll try to prevent any misunderstanding over what trees have to be removed on this next section.

I've driven the section myself. I think we can, with careful planning, improve that section with a minimum amount of damage, but I know there are some trees that are going to have to be removed. I saw one in particular while driving along there last summer. It's a beautiful tree, a big maple, I believe, about three feet to three feet six inches in diameter, one of the biggest trees on the highway. I just don't see how we can do the job without removing that particular tree. It's only a few feet from the edge of the asphalt right now and if we ease that corner and improve the alignment at all, then of course we would be right into it.

We will do the best we can and we will have full consultation with the people in the area before the job goes ahead.

Mr. G. I. Miller: Would you consider coming into Dunnville, maybe realigning there rather than going through the main business section, coming along just as you

enter the town limits? It has been brought to my attention that it could be directed over to Front Street along the Grand River, which would miss most of the business section, and come out on the other side of Dunnville—

Mr. Haggerty: An alignment to the west side.

Mr. G. I. Miller: —and take the traffic out of the middle of the town.

Hon. Mr. Snow: The proposed contract that we have at the present time is from original road 20, which I believe is Welland Port Road, westerly to the Dunnville easterly limit. The contract that we have tentatively scheduled for 1979-80 is only going to the city limits.

Mr. Gilbert: Are you talking about the connecting link now?

Mr. G. I. Miller: Yes, the connecting link. Would you give consideration to realigning with Front—I think it is a reasonable road at the present time—and divert the traffic from going through the middle of the town?

Hon. Mr. Snow: The connecting link, of course, is a municipal road. I would be prepared to discuss any suggestion that the town of Dunnville might have. I can't give you a commitment now.

Mr. G. I. Miller: No, I wouldn't suggest that you could. I think I would have to agree with that, but if you could give us some consideration.

Hon. Mr. Snow: Yes. In some cases we have rearranged connecting links, dropped the connecting link designation, for instance, at the present alignment and had a new connecting link agreement on a different street to divert the traffic. This would have to be discussed with the town of Dunnville, and if it's a regional road you are talking about then the region would have to be involved as well.

Mr. Gilbert: This might be a regional connecting link. I don't think it's with Dunnville. It would be a regional connecting link, wouldn't it?

Mr. G. I. Miller: When it comes out on the other side it comes back on Highway 3 again.

Mr. Gilbert: The connecting link is within the region. The region has the responsibility for it, rather than Dunnville.

Hon. Mr. Snow: To my knowledge we haven't had any request for any change from them, but if we do I'll certainly be prepared to meet with them and discuss it.

Mr. G. I. Miller: I think you are well aware of the developments in Nanticoke,

and I think my colleague pointed out the fact that Port Colborne is being utilized and has been utilized with the grain elevators handling a considerable amount of the production, the corn production and soybeans and wheat, and Highway 3 is a particularly crooked road. It is a beautiful road, and if you really want to assist in the development of other areas of Ontario I think that is certainly a place that you should consider.

I think between Brantford and Lake Erie there hasn't been a new bridge owned by MTC, I think it's a distance of about 50 miles, and from Dunnville to the Nanticoke site it is basically the regional road that is carrying the traffic. I think there is some responsibility on behalf of MTC to provide a better connecting link. It would maybe preserve agricultural land and also stimulate the growth of Dunnville and Port Colborne, which is an area which has been pretty dormant. I think my colleague pointed that out the other night; the potential is there but because of connecting links it seems to be stagnant from a growth point of view.

As I come down the QEW every day I notice there is a considerable amount of money being spent, particularly around the Oakville area. There was a new overhead bridge put in last year just on one side of Oakville, and this year they're completing the one just east—

Hon. Mr. Snow: There's going to be a lot more, too.

Mr. G. I. Miller: I think it's a good indication of what a good road can do and how it does attract. We're bringing more into one area rather than spreading it around; causing congestion and costing the taxpayer a lot of money. I wonder how much money has been spent on the Queen Elizabeth Way?

Mr. Gilbert: I don't know what we're talking about. From where to where?

Mr. G. I. Miller: Those two overhead bridges that have been put in in the Oakville area, and the service roads that have gone along with that. They're continually being upgraded.

Hon. Mr. Snow: There's a continuous program on the upgrading of the Queen Elizabeth Way. The member drives it. I guess our biggest traffic congestion problem in the whole province of Ontario right now is through that section. There is a long-range plan for eight-laning and 10-laning sections of the Queen Elizabeth through there. We're trying to put that off as much as possible.

The new interchange that was built last year at Dorval Way is one that has been in the planning stages of the town of Oakville for 10 years or more. They have built a new road right from the Lakeshore Road up to the Queen Elizabeth. They had that built a year before we got the cloverleaf built to join it. If I remember rightly, that was about a \$3 million contract there.

There is the Winston Churchill Boulevard cloverleaf, which is an overpass on the border between Oakville and Mississauga. That is part of the Highway 403 contract, really. That cloverleaf has to be built before the Ford Drive-Highway 403 link can be constructed. That has been in the planning stages for a number of years.

Also in planning is a new interchange to be built farther down in Mississauga at Cawthra Road. It is presently an overpass situation which is being turned into an interchange. There is a new one in Burlington to go in at Appleby Line as well, to connect those heavily developed areas on to the QEW. Our major project in that area is Highway 403 that connects from the Queen Elizabeth at the Ford Plant. It takes off to the north and across through Mississauga and connects in with Highway 401 just west of Dixie Road.

You've probably seen a lot of the new structures on Highway 401 that have been built for it. That will take a lot of traffic off QEW between Oakville and Toronto, traffic that now goes down and north on Highway 427 will go up Highway 403 and across. Eventually, that Highway 403 connection is to come right through and connect in with the QEW at Freeman interchange, where one comes across the Skyway bridge.

I'll be the first to admit you're going to see a lot of dollars spent in that particular area, because there is this new four-lane divided Highway 403 section being built. Our budget is spread throughout the 18 districts of the province. Every one of the 18 districts has a construction program each year and the money is spread as evenly as possible around the province. If you look at the maps you will see that there are contracts planned for every district.

In your particular area on Highway 3, the 1978 contract under way is \$2½ million. It is about the price of one of those cloverleaves.

Mr. G. I. Miller: I am not arguing that you don't need it.

Hon. Mr. Snow: All right. You are saying we don't need any cloverleaves on the Queen Elizabeth, and I have said that.

Mr. G. I. Miller: No, I am not saying that; I'm saying there should be a little more—

Hon. Mr. Snow: I am just trying to tell you in 1979 the contract is proposed to be \$3.6 million, in 1980 \$3.1 million, in 1981 \$1.9 million, in 1982 \$0.5 million, in 1983 \$1.1 million. These are tentative figures for the improvements planned over the next five years; approximately \$12.7 million is going to be spent on Highway 3. That is a rather major expenditure too.

Mr. G. I. Miller: I am not arguing the point, but I question the percentage of the budget going into the QE in that area, which is already overpopulated from a traffic point of view. I question if there shouldn't be more priority given to outlying areas where it could stimulate the economy while providing a better connecting link.

Mr. Gilbert: Mr. Miller, this is a good point. We have looked at the needs, and to be honest with you, the deficiency in our system to date is in the central area, the Toronto-Hamilton area. That is where our deficiencies are as far as traffic goes and this is what we are looking at. Southwestern Ontario is one of the best maintained areas at the present time as far as roads are concerned. The central area is where the deficiencies are the greatest.

Then you get up into northern, northwestern and eastern areas. With respect to our total needs in the province, and this is what the minister is talking about, southwestern Ontario is certainly in the best shape of anywhere in the province.

Mr. G. I. Miller: We have run out of time? We have talked about other things and when we get into the major expenditure we haven't any time left.

Mr. Chairman: Where have you been?

Mr. G. I. Miller: I have been around most of the time. What is the situation as far as the Caledonia bypass is concerned? Is it slated again?

Hon. Mr. Snow: It will be on our program again next year. As I mentioned the other night, we have had it in our green book for about two years, awaiting approval from Transport Canada for the new railway overpasses. We have to set the board orders.

Mr. G. I. Miller: Has that approval been given yet?

Hon. Mr. Snow: No. We have no approval yet. The Urban Transportation Assistance Program money available from the federal government is supposed to be \$16¼ million.

a year for five years. That has been cut to \$4½ million this year and about \$7 million or \$8 million next year. So over this year and next, we are going to get less money than we should have each year because of the cuts in the federal level.

Mr. Haggerty: With respect to Highway 3 from Port Colborne to Dunnville, you should be looking at that railroad bed there because it is no use to them any more.

Hon. Mr. Snow: We are talking about the Caledonia bypass right now, I'm sorry. We will have to give consideration to it. We have been discussing whether we will have to go ahead with some of these major projects without federal assistance. That is very difficult for us to do because the federal government has always paid a portion of the cost of overpasses. But they have limited the funds so much that on some high-priority projects, we may have to go ahead with full provincial funding without any federal contribution. That's a damned shame if we have to do that, but that's the priority of the federal government.

10:30]

Mr. G. I. Miller: As I indicated before, there is no bridge owned by the Ministry of Transportation and Communications over the Grand River that is adequate to take the traffic of today's standards. I think you are well aware of the Caledonia bridge and the condition it is in.

Hon. Mr. Snow: We're well aware of it. We've had it in our construction program, I think, ever since I have been minister. But there was another problem—it is more or less sorted out now—with some Indian land claims about the tow path up the river. We've had it in the program. It would have been dealt with and completed by now if we had had the federal approval when we should have got it.

Mr. Chairman: I would like to remind the members that we still have five speakers and we have practically run out of time. So I would ask the rest of the members of the committee who wish to speak to limit their questions to 30 seconds apiece or so, if that's possible.

Mr. Ruston: Do you mean to finish the estimates?

Mr. Chairman: Yes. We would like to finish these estimates by 10:45 tonight.

Mr. Ruston: What did we have, three hours and 10 minutes for tonight?

Mr. Chairman: Those three hours and 10 minutes were incorrect. Twenty-five minutes were taken up during a vote we had the

other night. I am told the clock keeps running during the vote; so that was erroneously reported. At 10:45 we will wind up the estimates of MTC.

Mr. di Santo: Mr. Chairman, I will be as brief as possible, even though my correspondence goes back to November 6, 1975, with the minister. It is related to the noise barrier on Highway 401. I wrote the minister in 1975, as I said. Then the member for Scarborough North (Mr. Wells), said it was absolutely essential that the government should do something and that the people were not ready to accept a do-nothing approach by the Ministry of Transportation and Communications. Then there was a study made available to us by MTC. Then the minister said the sites were being evaluated.

Finally, in May 2, 1978, the minister answered one of my inquiries by saying that there were three noise barriers being constructed and "the noise barrier program for 1979 will be established this fall after review of any additional changes in conditions and evaluation of further information or data gained from present installations."

From the correspondence with the minister, I gather the minister didn't think that part of Highway 401 was my concern. At one point, on October 21, 1976, I presented a petition to the minister from the residents of the area, which goes from Jane Street to Dufferin Street; it's quite extensive. I don't know technically how you evaluate the priority of that area, but I must say that I was there in the last two weeks canvassing for a successful candidate in the municipal election, and the noise is absolutely unbearable—not only the noise, but also the fumes, the dust and the salt; and in some backyards the grass was nonexistent.

I would like to ask the minister if it is possible to have a list of the priority sites chosen by the ministry. Also, how much money it involves. In one of the letters the minister tells me we are spending \$1 million—I think that's what he said—and that's not much in a budget of \$405,546,000 for provincial roads. It is a problem that is serious—not for me or you, Mr. Minister, because we don't live there, but certainly for the people who live there—and it spells disaster. It's absolutely unbearable.

I'd like to know if you have the program ready for 1979 and whether the part of Highway 401 that concerns me will be included in your program.

Hon. Mr. Snow: We have just been discussing all of our program for next year.

As I told you in the letter, I'm sure, we have set up a program for noise barriers. We did quite a bit of research and development work on what is the best noise barrier. We have established some new guidelines where, on new construction in some places, we are putting in the noise barriers as part of the construction project.

In new developments going up along a highway such as 401, it is the responsibility of the developer to provide the noise protection as part of the development. We will not build any noise barriers for developments that are created from now on.

We have also initiated a retrofit program to pick up, over a period of years, the situations that exist now. It would take much more time than we have tonight to try to explain to you the criteria that are used. It's a very scientific evaluation. We're giving the highest priority to those projects where, you might say, you get the most bang for your buck—where we're going to get the most improvement for the dollars spent.

The \$1 million a year is not only for Highway 401 in the Toronto area, but also for the Queensway in the Ottawa area. We've carried out several contracts in Ottawa and several in Toronto; there are some out to tender right now. But I can't tell you that your particular section will be done next year.

Mr. di Santo: You're saying that you cannot—

Hon. Mr. Snow: I cannot tell you that it will be done.

Mr. di Santo: Can you tell me how it rates in terms of priority?

Hon. Mr. Snow: I can't tell you offhand. The list I have in front of me has 29 candidate sites that we're going to try to deal with over the next period of years. I'm not sure which particular one you're talking about right now.

Mr. di Santo: Would you be so kind as to let me or other members know what the criteria are?

Hon. Mr. Snow: Yes, we can have the staff forward you—you have the report, and I'm sure they can try to explain to you better than I can. Each year the staff make certain recommendations to me as to which projects we should build. I have accepted those recommendations and we're working on these projects. Some of them are being built, and some of them are being tendered. We had to retender one project this year. We only got one bid, which was away above our estimate; so we did not accept it. We

retendered it, and I believe it has now been awarded.

Perhaps the best way would be for you to make arrangements to visit our people in Downsview, where they could go into this in some detail with you. We have been spending the \$1 million that I've been allocating for this work each year; in fact, I think we've been overspending it a little bit.

Mr. di Santo: I just want to wind up by saying that I don't know what the technical criteria are, but the problem is very serious.

Hon. Mr. Snow: Every member thinks his area is the most important. I know your leader says we shouldn't be doing anything in Toronto, we should be doing it all on the Queensway in Ottawa. I don't agree with that.

Mr. di Santo: The member for Scarborough North said: "I will continue to press vigorously for a noise barrier to be erected in the critical areas along Highway 401 in Scarborough." Perhaps I should ask him how to press you.

Hon. Mr. Snow: They're not all being built in Scarborough. I can tell you that. There are a lot built out in Etobicoke and all the way through, but we're doing them in the areas to fit into the budget and where we can get the most improvement for the dollars spent. I think the program is being administered very fairly in that way.

Mr. Ruston: Mr. Chairman, very briefly, I wanted to bring to the attention of the minister—and Mr. Newman is here and he is well aware of it and I'm sure the minister is—a letter from the county engineer of October 19, and Mr. Newman has one from the city of Windsor, and also one of October 24 from the county. It is with regard to the continuation of E. C. Row and how we are going to get from the east end of Windsor.

I mentioned this a few years ago in the estimates, about some possible outlet on Highway 401. It's something we're going to have to look at, more so now, of course, and I suppose it's a problem of the expansion and so forth with the new Ford plant. It creates some problems as we're building roads. County road 42, formerly Highway 2, gets the brunt of that traffic now and it just isn't built for it.

If we continue on E. C. Row we end up out on Highway 2 bypass which actually continues on down through Puce, Emeryville and Belle River, which is a very built-up area with a very limited speed limit. I guess that Lauzon Parkway is the one that would have to be built out to Highway 401 eventually.

don't see how even county road 42 could be that.

Hon. Mr. Snow: We have a major program in right now in that area. We have our formal committed program for the E. C. Row that has been scheduled with the city of Windsor, with a certain amount of work to be done each year. I think there are some under calls out right now on work down here. With the advent of the new Ford plant, there is a considerable amount of additional work which has to be done. I believe there won't be very much of it done this year because it's not designed. We had to start a cash design program which is under way right now. We figure we may spend an additional \$4 million or \$5 million—not this year, but in the year 1979-80 we might spend \$6 million or something in that neighbourhood on additional E. C. Row work.

The total amount of work that has to be done to accelerate this would have been done anyway but over a longer period of years. Something like \$25 million additional has to be spent by the time that Ford plant opens. This has been worked out with the city of Windsor. The city of Windsor got some special funding from Mr. Rhodes prior to his death. There was an agreement there to help the city pay its 25 per cent. That's all under way.

I know we have had some correspondence on Lauzon Parkway. That involves the federal government too, because of the plans for the airport. I'm sure there will have to be negotiations with all levels of government to sort out who is going to pay what on that.

Mr. B. Newman: You are working fairly closely with the city and the suburban roads commission, are you not?

Mr. Gilbert: Yes.

Hon. Mr. Snow: E. C. Row is a joint project. We're building it but it's 25 per cent city, 75 per cent province.

Mr. Gilbert: There's a task force.

Hon. Mr. Snow: There's a local task force of our people and the city people that works on all the scheduling and design. We have really had to beef this up because of the Ford plant.

Mr. B. Newman: Do you think you will have everything in place for the opening of the Ford plant?

[1:45]

Hon. Mr. Snow: I believe we can, if we get the money.

Mr. B. Newman: It is kind of important, because I understand the commitment from the province and the federal government was to—

Mr. Gilbert: We're certainly fully aware of that. With the property having to be acquired and everything else, it is a terrible task. But our staff, as the minister said, is going to do everything possible to try to meet our commitment.

Hon. Mr. Snow: I think there's about \$25 million or \$28 million worth of work to do. Because of the time it takes to design and get property and get approvals, we figure we can only do about \$5 million of that in 1979-80. So one can see that in the 1980-81 year there has to be over \$20 million worth of work done on that road, which would be a lot of contracts going at the same time.

Mr. Ruston: That doesn't even include the Lauzon Parkway really, because that's a separate project.

Hon. Mr. Snow: Right.

Mr. Ruston: That's where we're really going to have problems getting the traffic and the trucks out to the highway.

Mr. B. Newman: We appreciate your comments. We hope that you people work in close co-operation so that the Ford plant can open on time and we can get the economy, not only of the local area but of the province really rolling.

Mr. Chairman: You got your nickel's worth in there, Mr. Newman. We've run out of time. Thank you.

Vote 2504 agreed to.

Votes 2506 to 2509, inclusive, agreed to.

Hon. Mr. Snow: We spent 19 hours on \$148 million and we spent half an hour on \$932 million.

Mr. Chairman: This completes the estimates of the Ministry of Transportation and Communications.

Mr. Philip: Since I didn't get a chance to question him on Highway 427, could I ask the minister to give me a written reply to the recommendations of the Westwood Community Association?

Hon. Mr. Snow: Yes.

The committee adjourned at 10:47 p.m.

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 Newman, B. (Windsor-Walkerville L)
 Philip, E. (Etobicoke NDP)
 Reid, T. P. (Rainy River L)
 Ruston, R. F. (Essex North L)
 Snow, Hon. J. W.; Minister of Transportation and Communications (Oakville PC)
 Wildman, B. (Algoma NDP)
 Yakabuski, P. J. (Renfrew South PC)
 Ziemba, E. (High Park-Swansea NDP)

From the Ministry of Transportation and Communications:

Alexander, B. B., Chairman, Ontario Highway Transport Board
 Campbell, I. C., Executive Director, Research and Development Division
 Gilbert, H. F., Deputy Minister
 Humphries, R. H., Assistant Deputy Minister, Drivers and Vehicles



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Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Labour



Second Session, 31st Parliament

Tuesday, November 21, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, NOVEMBER 21, 1978

The committee met at 8:14 p.m.

ESTIMATES, MINISTRY OF LABOUR

Mr. Acting Chairman: I suppose you have very short statement, Mr. Minister.

Hon. Mr. Elgie: I'm going to wait until you get your vest done up before I start.

Mr. Acting Chairman: I call on the Minister.

Hon. Mr. Elgie: Mr. Chairman, before we start the estimates, I would like to say hello to the members of the committee, who I don't see very often, but mainly I would like to bring up a question that the member for Hamilton East (Mr. Mackenzie) suggested to me earlier; it is about next Tuesday night. The senior critic for that party, he has a commitment next Tuesday night—he's seeing a doctor about something, I think—and he wonders, Mr. Chairman, if the committee agrees, if you would look into the prospects of changing next Tuesday night to some other time—see if it's possible—and report back to us before the end of this week's sessions.

Mr. Chairman, I am pleased to take this opportunity to draw to the attention of the committee some of the significant initiatives of the Ministry of Labour for the 1978-79 fiscal year. However, I would first like to sincerely commend the energy with which the ministry staff at all levels have worked to prepare these estimates for presentation to you. Their efforts in this respect have confirmed my early conviction that this ministry is fortunate to have the services of such a committed group of people. If only a few of them could manage to turn up at night for the meetings! I don't know whether we can change it somehow. Is there anyone out there who is not from the ministry? Ah, there's a hand; nice to have you. Mr. Hugh Peacock from the Ontario Federation of Labour. Stand up, Mr. Peacock.

Mr. Gaunt: Who will soon be seconded.

Mr. Peacock: I was ready to take the chair.

Hon. Mr. Elgie: It would be appropriate at this time to introduce to you some of the senior staff who have accompanied me tonight. My deputy minister, Tim Armstrong, who I am sure most of you know; the executive director of industrial relations, Vic

Pathe, who hides in the background and never is vigorous or active in anything; the assistant deputy minister of program analysis and implementation, Nick Ignatieff, who we are just delighted to have with us; and the assistant deputy minister of occupational health and safety, Dr. Rodney May. Paul Hess, our senior legal counsel, is also with us tonight, along with many other members of the ministry who we will introduce to you from time to time as their contribution becomes more relevant to the—if you will pardon the phrase—performance.

You will notice, if you turn to page R99 of the explanatory material for the ministry, that the total estimates figure is \$37,244,000, and the total to be voted is \$35,726,000. The increase over last year—8.3 per cent—contrasts sharply with the 48.3 per cent increase that occurred between 1976-77 and 1977-78. You will recall that at that time the ministry was acquiring major new responsibilities in the occupational health and safety field, and substantial new resources were required.

The relatively small increases in the current estimates reflect a period of consolidation within the ministry, after the reorganization that marked its activities in the previous year. I would not like you to think, however, that there is a feeling of complacency. Rather, there is a distinct sense of excitement and a commitment to get on with the job now that the basic structures are in place.

You will want to know what specific steps the ministry is taking to meet the new occupational health and safety responsibilities to which I have referred. You will see, on page R108, how the resources for this division are distributed, and you will note that the division's total estimates amount to \$19,766,000, the largest by far in this ministry.

I am pleased to tell you that, since its establishment in 1977, the occupational health and safety division has made substantial progress in implementing the philosophy and programs implicit in the government's acceptance of the recommendations of the Royal Commission on the Health and Safety of Workers in Mines. Central to the activities of the division is the concept of internal responsibility as elaborated by Dr. James Ham. The objective of such a system

is to achieve a sound balance between self-regulation and legal enforcement based on the constructive co-operation of labour, management and government.

In fulfilling its occupational health and safety role, the ministry has expanded its capacity to generate and disseminate information on health effects arising from the occupational environment. Ongoing information, assistance and advice is provided to labour and management. Through consultation, in-plant practices and procedures are developed that are consistent with this concept of internal responsibility.

Joint occupational health and safety committees, representing labour and management, are a key element in the internal responsibility system. Field staff of the division serve as resources to these committees, providing advice and encouragement on their establishment and information on health and safety procedures.

The division realizes that, if Ontario citizens are to assume greater responsibility for their own wellbeing in the work place, they must have access to current and accurate information about occupational health and safety. To provide this, a province-wide telephone service has been established to answer the public's questions in this area. In 1978, during one six-month period, 202 calls were received relating to hazards in the work place.

The occupational health and safety division administers provincial lottery funds for the development of programs in its area. An amount of \$100,000 a year for three years has been granted to each of four universities for occupational health and safety resource centres—at Waterloo, Western, Queen's and Lakehead universities. Just as an aside, I had the opportunity to visit the resource centre in London, and Mr. Van Horne, the member for that region, was able to accompany me; I must say frankly I was excited at the prospects and the motivation that the people there displayed.

These centres are intended to be responsive to the specific occupational health and safety concerns of both management and labour in their geographic areas. They will assist local educational institutions, industries and labour groups to set up training programs in occupational health and safety. They will also maintain a directory of other health and safety resources in the region and, as they develop, will provide consultation and technological services.

A further lottery grant of \$330,000 went to the Ontario Federation of Labour, which has used it to establish occupational health

and safety training programs to train trainers, literally, who will in turn train local union health and safety representatives. A program for 20 such trainers is in progress at the very time at Geneva Park, and we anticipate that its graduates will provide the essential element of union leadership in the operation of joint committees.

Lottery funds have also been granted to the University of Toronto and McMaster University for the development and expansion of both graduate and undergraduate courses in occupational health and safety. Utilizing faculty of engineering and preventive medicine schools, these institutions are co-operating, with cross-appointment and close consultation, to ensure that scarce resources are used in the best possible way.

Eleven research grants have been made to universities for specific projects. Currently studies are being done on noise and asbestos hazards, among others, and several projects are developing monitoring devices for the detection of hazardous substances.

In its continuing efforts to meet the need of its varied client groups, the division has the benefit of the advice provided by the advisory council on occupational health and safety under the chairmanship of Dr. Fraser Mustard, who is the dean of medicine at McMaster University. This body was established in May 1977 and the first member appointed in October of that year. It is the mandate of that council to make recommendations to the minister relating to occupational health and occupational safety programs and to advise on related matters which may be brought to its attention directly by the minister or indirectly. The 18-member council has representation from management, labour and the public at large.

On page 52, you will find a summary of the division's new and continuing initiatives. I would like to highlight two of these which are especially relevant to the ministry's goal of providing increasingly efficient service to its occupational health and safety clients.

The program to design and implement a data system for accumulating and analysing occupational health and safety data is essential to the identification of problem areas and thus to rational planning within the division. We anticipate that the data, which will come initially from division programs such as mining health and safety and from Workmen's Compensation Board records will enable us to identify hazards in the work place and to assess their effects, to determine the effectiveness of existing programs and to plan new and better methods of protecting workers. The data will also

essential to the development of occupational health and safety legislation, standards and guidelines.

In keeping with the concept of government as a resource in the occupational health and safety area, the division is developing field teams to respond to local and immediate needs in four major industrial centres around the province: London, Hamilton, Ottawa and Sudbury. We discovered that most of the non-Toronto requests for assistance received by the occupational health staff, as opposed to the safety staff, in Toronto came from these particular areas. There were some unavoidable delays in meeting these requests, thus the establishment of these centres.

Physicians, nurses, industrial hygienists and technicians will provide consultative services to industries and unions related to the establishment of occupational health programs and medical surveillance units, and will engage in investigations and surveys.

We believe that there are advantages to this decentralization beyond the obvious one of increased sensitivity to particular regional needs. Professional staff will be more immediately available for local education and training programs. As well, we anticipate increased contact with local health and safety professionals.

To meet the staffing requirements of these and other new initiatives, the division's complement is increased from 568 to 595. Of the 17 new positions, one is a physician and two are engineers. As well, there are 12 technicians, two scientists, two hygienists, one program analyst, one nurse, and six clerical staff.

Because the activities of the industrial relations division reflect the general state of the working environment in Ontario, I believe that it's important that we examine our activities before you consider the minister's other programs. This division, with a pool of experienced labour relations practitioners among its staff, provides the minister and the ministry with an ongoing reading of the mood of labour relations climate in the province. You will find the industrial relations estimate on page 104, vote 2302, items 1 to 3.

That division has been extremely active. It has had one of the busiest years on record. As 1978 began, it was anticipated, and I am sure you will recall from the last estimates, that 3,400 collective agreements covering 640,000 employees, would expire during the year. These represented almost one half of all collective agreements in the province. This heavy volume of bargaining

occurred under economic circumstances which had imposed additional strains on all participants.

You will recall that the year began with relatively high unemployment rates, which have not declined significantly, accompanied by a continuing high rate of inflation. Early in 1978, negotiators faced the fact that in the latter half of 1977, the year-over-year rise in the consumer price index had exceeded the average annual percentage increase in negotiated wage rates for the first time since late 1973. In addition, the federal government began its phase-out of anti-inflation programs in April of 1978 and groups whose agreements expired after that date were free to bargain outside the AIB-imposed wage guidelines for the first time in two and one half years.

Major industry settlements reached so far this year include that in the industrial, commercial and institutional sector of the construction industry where, under new province-wide bargaining legislation, collective agreements were ratified without a work stoppage in 24 of the 25 sets of negotiations so far finalized. And for that, we owe a great deal of tribute to the construction industry review panel.

In the brewing, retailing, basic steel and pulp and paper industries, contracts were renewed without any major, lengthy work stoppages to date.

In the meat-packing industry, this ministry mediated the nation-wide settlement which ended the seven-week strike.

[8:30]

During the eight-month period from January to August of 1978, the latest for which complete figures are available, there was a total of 208 work stoppages in Ontario, of which eight were in progress at the beginning of the year. Man-days lost in these stoppages total 1,584,000.

Not surprisingly, in view of the earlier mentioned factors, both the number of stoppages and the man-days lost increased significantly from 1977 levels. The corresponding figures for the equivalent earlier eight-month period in 1977 were 186 stoppages as opposed to 208, and 878,000 man-days lost as opposed to 1,584,000.

It is worth remembering that man-days lost in 1977 were the lowest for 13 years and this was attributable in part at least to the existence of the anti-inflation program and that must be considered when reviewing these numbers. In addition, it should be noted that even the increased 1978 man-days lost total represents no more than one quarter of

one per cent of total available working time in nonagricultural industries.

The conciliation and mediation service continued its program development in the areas of preventive mediation and the adoption of a more active approach to mediation in the period immediately preceding strike or lockout deadlines.

In the first nine months of 1978, 32 preventive mediation cases were assigned to officers compared with 10 during the same corresponding period for 1977. Similarly, during the same nine-month period the number of remedial mediation cases assigned increased to 658 in 1978 from 433 in 1977.

During the next 12 months, major collective agreements will expire in most municipal bargaining units across the province, as well as in the automobile, electrical products, petroleum refining and petrochemical industries. The goal of the ministry as a whole, and the industrial relations division in particular, will be to provide whatever services are necessary to promote peaceful settlements.

I am confident of the staff's commitment to invest sufficient time and energy to achieve this goal and to explore, at the same time, new and creative approaches to the encouragement of a harmonious, labour relations climate.

We have also undertaken certain procedural improvements in the processes of the Ontario Labour Relations Board. Since 1975, the board has had jurisdiction to arbitrate construction industry grievances at the request of either party. Under the Labour Relations Act, construction industry arbitration cases must be heard within 14 days of filing. Labour relations officers have had memorable success in their prehearing settlement efforts. Eighty per cent of these cases have been settled prior to the scheduled hearing date.

Experience in this area suggests that officers can and should be used more frequently in mediating disputes. Their credibility with both management and labour is something of which the board is justifiably proud. When you can reach agreements at the prehearing stage with their help, the agreements tend to be the kind you can live with more easily than those that are imposed.

It is proposed to give the labour relations officers responsibilities in several new areas, including for example, jurisdictional disputes. These are among the most difficult and complex problems brought to the board, but an officer who can travel to the actual site of the dispute may be able to get right to the heart of the dispute more readily. He or she

may also be able to help avoid the escalation of conflict that comes when parties have to adopt more formal adversary positions.

Certification procedures in the industrial sector, are also being looked at. As you know, a certification hearing may take five minutes, but if the parties involved have to come to Toronto from Thunder Bay or Kenora, the whole procedure becomes more expensive and time consuming. The board intends to institute a provision for waiving a hearing, if both parties consent and if a labour relations officer is able to bring about agreement on certification issues. This approach, of course, is followed with construction industry certifications, with the result that only 20 or 30 per cent of cases ever get to the hearing stage.

I would like to move on from these major programs to the activities of some other branches in the ministry which are concerned with other aspects of life in and beyond Ontario's work places.

The Ontario Human Rights Commission — vote 2307 on page R114 — is divided for purposes of estimates into two items. Item 1 is related to the office of the chairman and it includes the activities carried out by commission members.

Under Dr. Crittenden's energetic leadership, the commissioners have assumed new responsibilities this year by designating areas of liaison for each member of the commission and by undertaking to establish informal relationships between themselves and representatives of industry, social agencies, labour and women's groups, professional associations, religious institutions and racial and ethnic organizations.

I find this essentially personal outreach by the commissioners themselves to be a most encouraging development. They are people of influence in our society, and they have chosen to exercise this influence in a most creative way. We are hopeful that the kind of person-to-person relationships they are able to establish will affect positively the climate of intergroup understanding that underlies all the activities of the human rights commission.

Item 2 in this vote relates to the activities of the commission's permanent staff in carrying out its mandate to monitor and prevent discrimination in Ontario. With the commissioners, staff have been expanding their preventive activities. You will note on page 11 in the summary of commission functions, that public education activities increased by 12 per cent between 1976-77 and 1977-78. This reflects the conviction of the commission that an atmosphere of mutual respect and understanding, based on accurate information, w

o much to reduce the friction between groups in our society.

In order to serve particular regional needs and to meet the demands of expanded preventive programs, new commission field offices are being opened in Timmins and Kingston, and an officer with special responsibility for community, race and ethnic relationships is being added to each of the Ottawa and Windsor offices. In 1977-78, eight additional officers were added to commission staff, along with one clerical position.

In the Legislature in May 1978, my predecessor, the member for York Mills (Miss Stephenson) tabled Life Together, the review of the Ontario Human Rights Code undertaken by the commission. I intend to introduce, at the earliest possible date, legislation responding to many of the proposals contained in that review, along with other proposals that had not been considered in the review.

In 1963, the government formally recognized the special needs of women in Ontario's labour force by establishing the women's bureau as a centre for research and information for and about women. I am pleased to direct your attention to page R106, where you will find the current estimates for women's programs.

In previous years there has been provision for the office of an executive co-ordinator of women's programs. With the decision to abolish that office and direct the funds to the program delivery area, increased complement became available. As a result, the women's bureau staff has increased from 13 to 17. The two new junior officers and two new support staff have enabled it to respond more adequately to the substantive increase in demand for information and referral, and especially for its publications. As one example, I am informed that between May 1977 and May 1978 there was a 100 per cent increase in requests for publications, and about 255,000 were sent out on request in 1977-78.

The women's bureau is increasingly concerned about the type of employment available to women and sought by them. It has become obvious that those jobs which are not traditionally held by women, frequently in the skilled trades, offer better wages and job security than the traditional women's jobs. The bureau has established liaison with several organizations that are concerned with non-traditional job opportunity and with the Ministry of Colleges and Universities to develop joint approaches for addressing the problem.

An advisory council on equal opportunity for women is being established to advise the

minister on the needs and concerns of both employers and women in the private sector. It will be chaired by the director of the women's bureau and will include representatives of labour and employer organizations. I see this as one more example of the kind of co-operation we are advocating. There is no question, it seems to me, that the problems of the 40 per cent of the labour force and the 51 per cent of the population that is female demand a co-ordinated response from government, labour and management.

I mentioned a minute ago the concern of the ministry that women find broader opportunities in the skilled trades. We are concerned also that those trades be the ones that are required for Ontario employers.

In June 1978, the ministry, in conjunction with other ministries which are represented on the Ontario manpower co-ordinating committee, mounted the Skills for Jobs conference under the chairmanship of the Premier (Mr. Davis). The conference brought together representatives of government, labour, business and educational institutions to discuss the nature and seriousness of mis-matches between skills and jobs in Ontario.

We are currently studying the suggestions that were generated by the conference. One important theme that emerged was the need for shared responsibility in the definition of skill needs and the provision of training, with the private sector playing a role in both.

I would like to mention, at this point, two completely new programs that are not specifically identified in the material that you have at hand. The first of these, previously mentioned in the speech from the throne, is the handicapped employment program, which has been established to promote greater employment opportunities for the physically disabled within the private sector. We have embarked on this initiative, encouraged by our own success in increasing employment opportunities for the handicapped within the Ministry of Labour through our pilot project which has been under way since March 1977.

Our new program, established pursuant to cabinet approval in April 1978, will encourage employers to establish affirmative action programs. These services will help them create barrier-free work places with respect to such matters as building access, physical modifications to the work site, positive recruitment and promotion practices and will, as well, stress the importance of attitudinal change.

As a basis for providing assistance to employers, program staff have consulted with more than 35 different government programs

and social agencies in a number of centres in Ontario. It is intended that these discussions will lead to co-ordinated provision of services to employers seeking to implement affirmative action for the physically handicapped.

The second very new and exciting initiative is the Ontario Quality of Working Life Centre. As you may recall, in the Legislature recently I announced the appointment of the centre's new executive director, Dr. Hans van Beinum.

Quality of working life is a concept with a variety of interlocking goals: greater employee self-fulfilment, improved labour-management relations and enhanced enterprise performance for the benefit of employees and employers alike.

The mandate of the centre is to explore and promote innovative approaches to the organization of work and the environment in which it is performed. The centre will provide assistance in establishing quality-of-working-life projects in selected industries and communities, and it will provide training for individuals and organizations in quality-of-working-life techniques. As well, the centre will undertake research into quality-of-working-life concepts and provide information to stimulate community interest.

I am pleased that the joint labour-management advisory committee, which after study and investigation initially recommended the establishment of this centre, will continue to act as a steering committee to oversee and direct its work. My deputy minister, Tim Armstrong, chairs this committee, which includes Cliff Pilkey, president of the Ontario Federation of Labour; Bob Hurlbut, president of General Foods; Bill Dimma, former president of the Toronto Star; Bob White, Canadian director of the United Auto Workers; Stewart Cooke, director, district six of the United Steelworkers of America; Ralph Barford, General Steel Wares; and Bill MacDonald, a Toronto lawyer.

[8:45]

I have very much appreciated the thoughtful counsel of this group, which was unanimous in its support of Dr. van Beinum's appointment. I see the centre as complementary to a number of existing ministry programs. Certainly, the principles of quality of working life, when implemented, should have a positive impact on industrial relations.

It is very satisfying for me to be able to tell you of innovative programs like these, because I think they reflect the ministry's flexible and, if I may say so, imaginative approach to the needs of Ontario's work place and of our work force. I would not,

however, want to give the impression that we are, as yet, on our way to solving all the very complex problems we face. Flexibility and imagination can only carry us so far.

In the labour relations area, we are, for example, concerned about the frequent breakdown in first-agreement negotiations. We realize that acceptable solutions to this continuing problem are not easily found, but we are prepared to examine alternatives to the present system.

We worry too about the restrictions placed by the government of Quebec on the mobility of Ontario workers. As you know, Bill 136, which deals with this issue, is currently in the committee stage. I hope to receive expressions of opinion from those most directly affected by such legislation. I want to stress the fact that I very much regret the necessity of introducing this particular piece of legislation, but my cabinet colleagues and I agree that mobility of manpower is an essential issue that must be addressed very positively.

My predecessor recognized that the present system of dealing with grievance arbitration under the Ontario Labour Relations Act is frequently seen as detracting from good labour-management relations. As members know, the report of Mr. Justice Arthur Kelly's commission of inquiry into the grievance arbitration system, which she commissioned, has been received and tabled in the Legislature. It has also been sent to interested parties for comment, and I hope to be able to make proposals before long to improve the existing system.

I am concerned too about the wage gap between women and men. It has changed very little over the past several years. I recognize that there are influential factors such as hours worked, time spent in the labour force and levels of seniority, but I believe that at least a portion of this wage gap is due to discriminatory practices.

One of the results of the present economic climate is a constraint on government expenditures and staff resources. As many of the ministry's programs are labour-intensive, this necessary but unfortunate policy of government restraint has had a particularly acute effect on some of our programs; that is of concern to me and to members of my staff. I am, for instance, proud of the special efforts that the employment standards branch, led by John Scott, has been making to handle our increasing caseload, with no increase in staff.

As I began my remarks by addressing our new responsibilities in the occupational

health and safety field, it seems appropriate to close by noting that we are all well aware of the enormity and complexity of our undertaking in the area. I am told, for example, that there are more than 10,000 known chemicals currently in industrial use, and more are being introduced continually. As well as knowing the potential hazards of each of these, we must be prepared to deal with their effect in the work place.

We have also had to face the fact that there will be, in the foreseeable future, a shortage of trained professionals and technicians in the occupational health and safety field for staffing both public- and private-sector programs. You will have noted that the development of educational programs is a high priority among our funding activities. We are prepared to meet these and other challenges by making the most efficient use of our human and financial resources. I think we have been realistic in our assessment of the needs we must meet and in our utilization of the available resources.

At this point, Mr. Chairman, I respectfully submit to your committee, the estimates for the Ministry of Labour for 1978-79.

Mr. O'Neil: Mr. Chairman, first of all, I would like to congratulate the minister on his recent appointment as the Minister of Labour. I feel that his performance in the Legislature over the last couple of months has earned him credit, because I think he approaches many of the questions that are asked him in the way they should be approached. Rather than putting off a lot of the answers, he gives direct answers and I'm quite pleased with his performance.

I thought in your opening statement this evening you might have spent more time talking about the serious unemployment problem that we have in the province, a problem that reaches to every corner of the province and worries us in the Liberal Party. We think that you, as a minister and as a new minister, should give direction to your staff to ensure that they are working with the other ministers in the cabinet to see that this serious unemployment problem in the province is solved and that different work incentive programs brought into being, not only in the summer months but throughout the year.

In the last couple of days, questions have been raised in the Legislature concerning my constituents of the province, eastern Ontario. Other members, mainly Mr. Conway from Pembroke, have also raised questions as to the serious unemployment problem in eastern Ontario. The problem exists throughout the province while you have looked at many other

areas in your estimates and your opening statements, this is one area which you, as a minister, should be directing your staff to look at so you can give direction to other members of the cabinet to make sure this problem is solved.

My opening statements will be quite short because I feel a lot of our time should be left for questioning on the different items underneath the different votes.

We will, of course, be questioning the minister and his staff concerning Bill 70 and when this bill will be brought back into the Legislature. My party, the other opposition party and most of your members are quite anxious to see Bill 70 come in for third reading so the workers in the province may be protected properly.

We as a party and other members of the committee who sat going through Bill 70 clause by clause were quite upset with what we thought was the lack of co-operation given to the then minister by some of the staff of your ministry. It appeared to us that when Bill 70 came before our committee for changes, and there were many changes, many of your ministry staff thought the bill should have remained the way it was and were very reluctant to give assistance for the necessary changes to the then minister or to the members of this committee reviewing that bill. It's something you, as a minister, should look at carefully.

We are also very concerned, as far as Bill 70 goes, that Ontario can train sufficient personnel to provide for occupational health and safety needs. We would like to know whether you're still employing experts in this field and in what year they will be self-sufficient in this regard.

We will be questioning you when we come to the different votes and one question will be when we can expect to see Bill 70.

We are also going to be asking about the availability of research conducted by your ministry on subjects such as labour market conditions, trends in employment, unemployment layoffs, the result of manpower adjustment problems, manpower requirements of selected industries and regional manpower strategies. For example, the ministry sought out information on joint health and safety committees in other jurisdictions and it was precisely this type of information which would have been of value to the opposition members who sat on this committee reviewing Bill 70. It's my feeling that a lot of the information your staff had wasn't made available to members of the opposition and I don't feel that is the way government should work.

We're also going to be interested in hearing comments underneath the different votes relating to the Employment Standards Act dealing with handicapped employees. We're going to be asking questions dealing with pensions—the portability of pensions, how people who have written and called us have been affected by the present pension setup. Likely into this will also come the discussion on the strike at Inco and the latest steps your ministry has taken to try and get the people back to work in the community of Sudbury. As you mentioned in the Legislature the other day, it is a serious concern of yours and you are hoping the people will get back to work. But these people have been out of work a long time and I wonder whether stronger incentives shouldn't be taken by your ministry and maybe some more forceful solutions put to Inco itself.

We're interested in your opening statement concerning skilled manpower and the shortages and we have some questions concerning that.

Another area in which we will be raising questions concerns the Ontario Human Rights Commission. It is doing an excellent job in many areas but it is also our worry that in some cases, people from the Ontario Human Rights Commission approach some of the employers or some of the companies in such a manner they seem to deem that these people are guilty and the other people are always right. There are two sides to every story and it is something that should be looked at carefully.

We're also interested in the comments you made concerning the affirmative action program. We would like to ask further questions on that.

Mr. Chairman, I don't propose to go on too much longer. The real meat of the thing comes when we are discussing the votes and when we will have a chance to question not only you but the staff of the ministry and the different staff who are connected with the individual sections. I will leave it at that.

Mr. Mackenzie: Mr. Chairman, we will take a little longer than our Liberal colleagues. We are very happy to give them a little extra time when it comes to the individual votes. I want to take a few minutes to cover some of the crucial areas with regard to labour relations in the province, to point out that we do have some serious problems. We think there are some answers to those problems, but, as usual, in our opinion the answer on many of them seems to be to get this government to act. I suggest that talk on the various programs comes

easily but doesn't necessarily get things done. Some of the delays—I might point out the Kelly commission as one—is ample proof of just how long we have been asking and how long we have been waiting for some answers.

Before I get into the details, I would like to extend my congratulations on your appointment as Minister of Labour in August. I commented to you at the time, and I share the view of many including those in my own caucus, based on some limited comradeship with you in the Inco hearing, you are a concerned and objective person. There doesn't seem to be an immediate personal barrier such as I must confess existed very early in the reign of your predecessor in the Ministry of Labour. It is also apparent that you will initiate discussion. Quite frankly, the action in every case remains to be seen. The verdict is not in on that.

Hon. Mr. Elgie: I am still thinking about you, too, Robert. I haven't settled that yet either.

Mr. Bounsall: He has had a bit more experience.

Mr. Mackenzie: I have also noticed that you do have an ability to say you are wrong when you are, or when you have made an error. You don't deny it or hide it. I am still waiting for an answer from the previous minister as to whether there are 3,000 or 6,000 employees in the Ford Oakville plant in spite of about 10 specific questions on the matter.

Hon. Mr. Elgie: Three.

Mr. Mackenzie: This kind of change in the top offices is very welcome. I want you to know we are willing to co-operate in any real attempt to make the Ministry of Labour a real vehicle to assist working people in this province, working people being, as I think you understand, the vast majority of the people in the province of Ontario.

[9:00]

Having said that I wouldn't be true to form, I guess, if I didn't tell you we intend to hammer away at the many issues and problems we see as well. I think you know many of them. They are arbitration costs and delays; certification delays and stall first agreements; union security; good faith bargaining; safety and health; wage equality; and I think the overriding issue of our economy, and how it affects the working people of this province and their ability to lead the good life and to put bread on the table—an issue, unfortunately, in which there have very little say in how the decisions are made.

You have been minister for approximately three months now. That's not a long time, but I want to point out that the problems of which we speak have been the subject of countless briefs, pleas by labour, previous estimates discussions and on many of them little has really been done. Our concern, Mr. Minister, is that, regardless of your personal qualities, you will not be able to move that gathering of protectors of the establishment that makes up the present Tory cabinet.

I guess this then begs the question of why it is clear, time and time again, that regardless of the personal good intentions and feelings of yourself and your ministry, you are not able to make changes. When does the Minister of Labour simply become another Tory minister? That's something else I guess we'll be watching for.

In a nutshell, I'm saying that as far as my party is concerned, and I believe as far as labour is concerned, we want to co-operate, we will co-operate, but the honeymoon for a new Minister of Labour is going to be a very brief one.

Hon. Mr. Elgie: It's over now, isn't it?

Mr. Mackenzie: We simply can't afford the costs of a longer one. I think you can expect candour from myself as the Labour critic for the New Democratic Party, and I think you'll get it from the labour movement as well.

I want to start with one of the first things I said in the estimates of October, 1977. I am going to repeat that paragraph that was put to the then Minister of Labour. I'm repeating it just exactly as I read it or as I made it at that time. When I made it at that time—this is a year ago, I want to point out—I stated my own experiences and perceptions and that of many other activists in labour, and they were that the Ontario Labour Relations Board still tends to support the status quo or master-servant relationship.

I said the minister could disagree if she wanted, but most leaders in the trade union movement, and most activists in the rank and file level, still see the OLRB as more of an adversary and more company or establishment inclined than it is worker inclined. I said the labour board does not conjure up an image of friend and protector of workers. I might point out we have in this province, I said at the time, a Treasurer who is tough and businesslike; and that Industry and Tourism helps, advises and assists industry; but who speaks for the workers in the province of Ontario?

I said that a year ago referring to the previous year. I really haven't seen a heck

of a lot of reason to change that. In the brief time I've been in the House, this is the third time I've raised this particular point.

I want to also say it was with some regret that I listened to portions of your speech—I think I have it here somewhere—to the OFL convention last week. I might say I listened to it with a growing concern. The indication I got in any event—I think while I was looking at page 10 of the speech you made at the OFL—was that you intended to represent labour's concerns emphatically and fairly in cabinet, but you were also going to be an honest broker. Neutrality was a word you used very effectively in one of the paragraphs. You talked about preventing exploitation and achieving certain basic rights for workers, but you touched very strongly on the fact there were obligations for workers as well and obligations for workers had as much relevance as the conferring of rights. You were also personally under an obligation to listen to the employers' representations as well.

I don't really argue totally with that, Mr. Minister, but forgive me if I tell you that those comments don't give me a very strong feeling that the Minister of Labour is going to be a fighting minister willing to stand up to the 24 or 25 other ministers, or whatever it is in cabinet, who do, as you made very clear, stand up and express management's positions, which is, I stress, the single major component in our province, both in terms of numbers and economic impact. They certainly take the side of what we call free enterprise or private enterprise in this province of ours. I really see that in most cases as the right of capital over the workers.

I think that workers have the right to expect the Labour ministry to be their vehicle in government. I suppose that may be a little bit of a philosophical difference between us, but I don't have the sense totally, given your remarks, that anything is really going to change.

You were saying, and I don't doubt it was with conviction, that we're going to get a more benevolent approach. I think your own actions so far indicate that, but not any more than that. I believe that the Ministry of Labour and the Minister of Labour have to be the ombudsman all the way for working people and labour legislation in this province.

You spoke also in that speech, Mr. Minister, of your scars from your early involvement in labour-management conflicts and that there had to be a better way. I happen to agree with you. All of us are looking for a better way. But I also want to know that when you're trying to work from the middle,

with the current balance of power in this economy, you can expect more than scars; you can expect breaks and amputations. You simply cannot patch an unfair system such as we have, or expect to win real worker respect, without being willing to change some of the pretty basic rules of the game in labour relations.

There are hundreds of examples I could use. I want to use just one of them because we've talked about it before. I'm talking about the Columbus McKinnon plant in St. Catharines as a case in point. It was a viable plant, as I understood it, still making money. But instead of maintaining and modernizing that plant in St. Catharines, a new plant was built in the States—I'm not sure if it was in Buffalo or some other city.

Hon. Mr. Elgie: Tonawanda.

Mr. Mackenzie: Tonawanda is correct. It had been a plant with a 102-year history, which had as many as 240 employees and loads of expertise. I met with the employees down there, discussed it with them and I know. But that plant literally went down the drain. A labour dispute was continued in this country. In fact in my opinion the Canadian plant was used as a bargaining lever while the new operation was completed and ready to go into full production in the States and while the contracts were settled shortly after that on the US side of the border.

Canadian customers, as I'm sure you know, were assured by the American plant of supply and that in effect assured the markets. The plant shut down, the jobs are gone, our balance of dollar payments deficit grows, we must import another item—and what did this government or this ministry really do?

I know you met with the company and I'm told on fairly good authority that you insisted they come over and meet you—that you raised some hell with them—

Hon. Mr. Elgie: Not just me.

Mr. Mackenzie: I think all of that's commendable. As a matter of fact, I notice also that the government House leader, Mr. Welch, used the word "irresponsible"—

Hon. Mr. Elgie: That's right.

Mr. Mackenzie: —and a number of other rather harsh comments were made about that company at the same time. Strong stuff for this government. But let me tell you, Mr. Minister, it's exactly what I've said about just words. The plant's gone, the jobs are gone, the expertise in this field will be down the drain, we lose more dollars, as I've said, and another decision affecting Ontario workers is made by non-Ontarians outside of this country.

The bottom line I'm talking about, and very strongly, is that current unfair balance. When we're operating in that kind of a balance, you can't win dancing to the tune of the private enterprisers in this economy. If you're not prepared to say to a company like this—and I'm using this only as one example—that they're not going to benefit at the expense of the workers in the province and make it stick, then we've got little hope in an awful lot of cases that are coming about. Because we are in a branch plant economy.

The answers are not easy. But I suspect that a real threat to use the plant to compete with the parent firm would have caused them to think twice about the loss of sales. A move to contact customers and actively discourage their purchase from the American firm, possibly some incentives to move the purchases—I understand it's basically block and tackle equipment—to one of two other plants which do some production like this in Canada and which produce similar products, would certainly have indicated that we meant business.

There are a number of other methods we could have used. A government of real purpose, that was willing to stand up to business in this province, would have used some of this pressure—would have exerted it in a number of ways. It probably would have taken some guts. I really didn't find it in that case and I haven't found it in any other cases we've dealt with up until now across the province.

Obviously one of the things we've got to do is work on technological change provisions that can be established in the Labour Relations Act and other provisions that should be made bargainable. They could possibly even be made the issue of a strike during the life of a collective bargaining agreement, when basic decisions are being made that are, in effect, going to screw the workers in this province.

Just for a second I'd like to compare the actions in Saskatchewan, when they faced in a different way very much the same problem. The private sector was not providing a fair return to the province on a very valuable resource, and I'm talking about potash. It wasn't being used to enrich the people to assist in a number of government programs.

What did the government do? It was a pretty difficult fight and involved some long, hard court cases, as you know. But the end result was that they took over 51 per cent of the potash industry. And not because they necessarily wanted to. You only have to talk

to Roy Romanow or Allan Blakeney, or some of the ministers out there to realize that had they other alternatives, they were perfectly willing and had tried for a number of years to look at them.

Mr. Mackenzie: Like nickel.

Mr. Mackenzie: It wasn't a question of political dogma, but it was a question of whether or not the people in that province were going to get a fair share. The question was whether there was going to be equity for the people, whether the jobs and the markets were going to be protected and something come back in to the provincial treasury. This would be in contrast to the constant drain if we have to import or if we have to provide welfare for the workers who are laid off.

It was not an easy battle, but the rewards for the people in that province are already proving to be tremendous. They're going to, I think, be a little bit more the masters in their own house.

When I look at this province in comparison, Ontario is Canada's number one patsy in bowing to almost anything the corporations in this province want. I have to ask you very frankly, where is the loyalty of this province to Canada, and where is the phrase I've heard so many, many times, "corporate responsibility"? I didn't find it, nor did I find the government with the guts to really get tough in that particular case.

I think this touches on many of our problems, Mr. Minister. Indeed, I think it is probably the crux of the problem in our country—our economic dependency. I want to spend just a moment on this, because it influences or controls all of the decisions that affect working people in this province. We are a branch plant economy. We do not make many of the decisions that affect us. Our current government is unwilling to do more without saying please and thank you. The decisions being made affect our production schedules, plant moves and closures, and even the profits on which we're going to pay taxes.

We're alternately either the most underproductive and lazy bloody workers in Canada, or the best in the world, depending upon the priorities of the multinational owners at any given time. There has been ample evidence of that, as I've mentioned before. We saw some of it during the AIB—and often got into it in negotiations—when the price of parts were deliberately upped, which cut the profits of the Canadian firms. They didn't have to worry about being over any guidelines and increase the profits of the first back home. We really had no say in what was

going on, just as we have no say in deciding exactly how productive Canadian workers are in many plants. The size of the runs, the extent to which we use the production facilities, the extent of the supplies, even the size of the market we're allowed—these decisions are not made in this country. That puts us at a distinct disadvantage.

In the auto industry we can compete with almost anybody, but we're at the mercy of the decisions that are made by the giant automobile manufacturers in the States.

In steel, no one touches us. I've got a lot of pride in my own community and the ability of the steel industry to compete. But let me tell you, the screws are tightening on that. This one real bright spot, I think, in our economy, and the control of the branch plants, may very well undermine our ability to sell, even in basic steel.

Resource and manufacturing, secondary manufacturing—there's no way we can measure the real ability of the Canadian workers. This is because the break-even line or the flow of work I talked about earlier works as the tap is turned on by decisions made outside of this country. Forgive me if I use Inco as an example again, but it's almost a classic. The ability of the workers at Inco, as near as I can make out, is unquestioned. They are about the most productive anywhere in the world, without having the most up-to-date facilities in the world to operate. Their profitability, even in that plant with the wage levels there, as we had Inco personnel tell us ourselves during that hearing, beats most of the operations around the world.

[9:15]

I have a tremendous respect for the workers who made a very tough economic decision at a bad time and that was the decision to strike. Because they understood there's never a good time with Inco. No matter what happens, Inco is the one component in this battle that smiles all the way to the bank. Profits are made on stockpiles which they get rid of to eliminate some of the carrying charges or cash-flow problems created by tying up that kind of nickel. If the stockpiles run out, they meet their commitments to foreign governments and other customers from overseas operations, which they have usually expanded using our money.

What happens to the workers in Sudbury, what happens to the municipality, and what happens to the government of Ontario doesn't mean a damn to them. That was made very clear in our Inco committee when we first started dealing with the layoffs there that resulted.

Mr. Laughren: They told the minister that, too. They gave him that message too, didn't they?

Mr. Mackenzie: The point I am making, once again, is that we have lost the ability to control the decisions that determine how the workers in this province are affected, and the government is going to have to decide this is a priority, or, as I said, all of the efforts are going to be nothing more than Band-Aids.

In his speech to the Ontario Federation of Labour, the minister referred to the popular view that there exists a huge and powerful government apparatus lording it over something called the private sector; and he indicated that he didn't quite see it that way. Let me tell the minister, that is a gross oversimplification; it is a totally false view. There is a huge government apparatus, it's true. But it is the private sector that is lording it over the government of Ontario and the government sector. Ontario and most—fortunately, not all—of the provinces in this country dance to their tune. For all of this, we are paying a rather tragic price. It almost seems to mock our efforts to deal with day-to-day problems in the labour relations field.

In your speech at the OFL, you talked about the regulations wanted on both sides of the fence, management and labour. Have you never marvelled that when management wants less regulations it is almost always to deny workers some particular rights or advances or to get more production out of them? When it wants a regulation or help, it is to finance an operation, to guarantee a profit, to provide it with the means or mechanism to help finance further operations, or, quite often, to provide it with a mechanism to screw some competitor and end up with a monopoly in a particular market. Have you ever noticed how ruthless they can be when this happens in the business world? We have seen a few examples of it.

Admitting all my biases, I want you to compare that with the position of organized workers and the slams they get about the big, bad unions, but who are fighting almost always for a fair share of the economic pie. They are fighting for the workers to participate on an equal basis and to have basic rights in terms of grievance procedures, seniority and the like. Look at the co-operative efforts when they have to assist and protect one another when they are under fire—and that happens quite often—and the constant fight for the most basic of protection and coverage, for regulations that assure, not the ability to step on somebody

else and be bigger than somebody else, but fairness for the workers and not monopoly.

Nothing, in my opinion, is more dishonest than the crap that is being peddled today about the big, bad and selfish unions. I see little to refute these charges from the Ontario Ministry of Labour, and that kind of an active role is one of the things you should be all about as well.

I talked about the union- or worker-bashing going on among businesses, chambers of commerce, and old party politicians in the estimates a year ago. I am sorry to say that it has not improved; if anything, it is probably worse in the climate we have today. I have been appalled at the negative reaction to the rights we gave to public service workers which many now seem to wish to remove.

I heard the leader of the Liberal Party, in his speech during the recent brief session of the Legislature, calling for the breaking of a strike of transit workers by any means. I listen to back bench members of your own party suggesting that we remove the right to strike in the public sector.

Mr. Minister, another example of the same thing: When a question, obviously planted—at least, I presumed it was planted—was asked of you by one of your colleagues the other day concerning right-to-work legislation, I suppose similar to that existing in some of the redneck southern states, it was not your rejection that caught the attention of almost all of us in opposition—I am very glad to say that you did indicate your opposition, and you did state that wasn't your policy—but it was the more than loud murmurs of obvious support that came from the back benches in your party. That sure caught the attention of many of our people when we watched that question being asked.

I trust that you will at least learn to mute some of the anti-labour sentiments of your caucus mates when you wish to fly a kite on some position in the future. Maybe a little more business organization, for which the Tories are supposed to be famous, might be useful. If I were going to be asking that kind of a question, I sure as hell would want to feel that I wasn't going to have half my caucus indicating "Hey, that's a hell of a good question. Why don't we think about it?" while I was going to get up there and say, "Hey, no, I'm not going to do this." It certainly doesn't give you any particular faith in that group of people and the views that they're representing.

I spoke last year of the unfairness and damage done by the wage controls, the

anti-inflation Board legislation. The continuing results of this rather dishonest and disastrous bill continue even today. Unemployment is up in this province. Inflation is virtually unchanged. The economy is stagnant. Workers' settlements are below the inflation level; so conditions worsen as purchasing power decreases. A mood of frustration not serious yet but very obvious, and some despair prevails in the labour field. I forget your specific comments, although I made a note of them at the time, but you dealt with the attitude today. Workers are unsettled and are fearful as costs go up and as friends, sons and daughters can't obtain employment in this country.

I don't think I've been one of the purveyors of doom and gloom in our party or in this political House up until now, but I do have a dire prediction and one that I hope is truly wrong. My prediction is that the current mood of fear and uncertainty is going to change in this province rather quickly—I've seen it coming for a year or two now—to one of rather cynical anger and from anger to a rejection. That rejection could get very bitter, and possibly even violent, if current policies and priorities and laws as they exist aren't changed.

I think we're building up a time bomb in the labour relations field that could tear apart a good many of the structures and values that we hold at present. One of the reasons for this, and one of the reasons I feel so strongly about it, is that it's increasingly obvious that some didn't suffer the same restrictions that workers suffered under the AIB. Workers are still paying the price for that: The settlements are somewhere down around the six per cent level, and the inflation rate is about nine per cent right now. Prices and profits didn't suffer the same kind of restraints as workers suffered during that period. As a matter of fact, when you look at the profit-and-loss figures now, business did very well throughout the period of controls. Most price adjustments were after the fact and, quite frankly, were little more than a joke. Some businesses supposedly kept down price increases in the following year—and we had some of that in the insurance industry—but there is no way you could ever prove that in fact it did mean a reduction in price in the following year.

In the last few months, while employment suffers in this province, wages have still been controlled. In effect, that's what it amounts to. One of the reasons we haven't had a real escalation in wage increases, or why we have had a number of settlements—the 24 out of 25 you talked about in the construction field

—is that workers don't have very much faith that there's a hell of a lot of bargaining power there, and they don't have very much faith in the system. Certainly, workers involved in the public sector haven't got any faith, because the money for funding does come through the government, and the restrictions that are being placed in all of the various public sector fields are such that there is no way they can get an increase that comes even near to the cost-of-living increase.

We have seen an amazing increase in corporate profits over the last few quarters. I don't know whether you noticed the figures the other day—I didn't take them down—but banks' profits are near an all-time high for this country. The oil companies rule the roost.

I mentioned earlier the profits that we see coming from Inco. I noticed with some interest, in one of the fact sheets just out, that corporate profits were up 11.8 per cent in the first quarter of this year and up 15.9 per cent in the second quarter of this year. I'm not sure what they are in the third quarter—I believe the figure is not out—but I know they're well up. At the same time, real wages were down 2.9 and 3.8 per cent in those two quarters when inflation is taken into account.

Hon. Mr. Elgie: Inco Ontario or Inco in the larger sense?

Mr. Mackenzie: I'm talking about Canada here.

I also noticed a little piece—it's just a little piece, but I clipped it with some interest—in the Miners' Voice the other day. This wasn't an across-the-board picture, but I thought it was very interesting. It simply made a little comment:

"Profits of publicly owned corporations showed the highest increase since 1974 in the second quarter of this year. In a newspaper survey, 147 companies in 22 industries were listed. Their combined after-tax profits rose by 24.6 per cent, or \$1.2 billion, from the second quarter of 1977."

Where is the corporate responsibility? Where is there any right for the workers to feel, with the kind of restrictions and wage increases they're now facing, that they're getting any kind of a fair share whatsoever? It just doesn't exist.

Do you honestly feel, Mr. Minister, that you need to be neutral, that you need to be the honest broker, that business needs all of the 25 ministers in the Tory cabinet, and that it couldn't get by with 24 of them, bowing and grovelling and paying homage to the private enterprise system we see?

Mr. Laughren: Well said. Plus an opposition party.

Mr. Mackenzie: Where in heaven's name is the commitment to people and corporate responsibility, because that does affect all of the decisions we're going to make?

Why does Ontario lack a real industrial strategy and some clear priorities? Why are workers reduced to fighting and re-fighting the most basic issues we thought were won, initially, decades ago. When are we going to say "Enough"? Why do we have to fight today, in 1978, for something as basic as union security?

When the union is able to organize and achieve certification and has an obligation, under law, to serve all of the employees it represents, why should it not receive the dues necessary to finance the service? My God, what right in the face of this earth does any company have to argue that they will not negotiate the collection of workers' dues set by the workers' constitution in their own democratic decisions? It's so basic that the lack of action on this point speaks volumes to the influence of business on this government in the province of Ontario.

How can this government ever justify—and I hope it was an end, I really do—the despicable role of the Attorney General's department in allowing the use of more than 500 Ontario Provincial Police against some 70 women strikers at Fleck Manufacturing? How can you justify the expenditure of more than \$1.25 million on behalf of one small renegade company with the declared intention of breaking the union?

Above all, Mr. Minister, where was the Labour ministry judgement in all of this? I'm not sure it has sunk in as yet. I do share a feeling that you have some good people in your ministry, but let me tell you, this lack of judgement on behalf of all of your senior staff—and I recognize they don't make all of the decisions—has probably done more to undermine their own integrity and their own stature in the eyes of workers than anything else.

Your ministry, and the senior people in your ministry, from day one of that dispute, should have been shouting, "Don't. Hold. Stop." to that kind of involvement of the police and that kind of strike breaking that went on. I didn't hear it from the Labour ministry. If the Labour ministry was an advocate of the workers in this province we would have heard it and we should have heard it.

The use of strike breakers, professional goons, and of publicly financed police power to break strikes or intimidate workers belongs back in the Dark Ages. Have you ever heard

of their use on behalf of workers? I haven't. When will this basic justice appear on the scene?

How long do we have to wait for legislation that requires a first agreement? Will it come when negotiations have obviously failed? Will it come when one side or the other has decided, as Mr. Turner did at Fleck, that there will be no agreement? When will we see the legislation? I'm sure it's coming. I'm absolutely certain, whether by your government or one of ours, but it's going to be there. I don't think you can wait much longer. Why should we wait?

I'd like to know whether you subscribe to the BC approach to help guarantee that is achieved through collective bargaining. This is an approach, as you know, that allows the ministry to look at existing contracts in like cases and determine what goes into the first agreement. I've found out it's an approach that seems to result in the parties deciding to take a little less of a risk, depending on their own personal views, by deciding themselves the content of an agreement. The very fact it's there has led to many settlements.

I do anxiously await your comments in more detail on the topic of grievance arbitration, Mr. Minister. I talked about the loss of credibility of some of the people in the Ministry of Labour over the Fleck issue. If there's a second shoe falling, in terms of credibility, it's the grievance arbitration delays we've had. I ask you how, in all good conscience, could the Labour ministry have allowed this costly abomination known as the Kelly report to continue for so long? We were asking for it a good number of months in the House before we ever got it, without moving with at least some interim reforms, and I know a good excuse is waiting for a report. How in God's name did we end up with the Kelly report? Having ended up with the report, why was it sat on for three or four months?

Mr. T. P. Reid: There is not a heck of a lot in it anyway.

Mr. Mackenzie: It's useless and that's exactly the point I'm making.

Mr. Bounsall: It's hardly worth sitting on.

Hon. Mr. Elgie: Depends what the chair's like.

Mr. Mackenzie: If there was ever a basic, honest and immediate reaction needed, once again, from the Ministry of Labour, it was to reject that report as missing the point, being totally irrelevant, downright stupid and potentially destructive as well as stupid.

The expertise, supposedly in the Ministry of Labour, should have reacted very quickly. That bill should not have been slept on for a number of months. We should have some action on it right now because that was also raised in a couple of estimates, one at least, and there were many questions in the House on it.

I think that was a second shoe falling in terms of some rather bad and fuzzy judgement in the ministry. It is something we need action on.

9:30]

The simple hard fact, of which I am sure you are aware, is that the cost of arbitrations alone is denying the most basic right of a worker to have his case arbitrated. Small unions and indeed some large unions simply cannot afford the costs, even if they could afford the delays, and I submit they can't afford either.

We will have a number of bills and some issues in point to raise with you when we are into the specific estimates on that particular issue. As I said, I await your response on that. We would very much like a time frame and that means something in terms of immediacy. We have waited enough months and years as it is now.

Having dealt briefly with the lack of worker participation in the economic decisions that affect them and also with the fact that in terms of strike breaking and union security we still seem to be fighting yesterday's battles, I am wondering if the minister would respond to the urgent question of workers' rights during the life of a contract also when decisions are made that fundamentally affect them. This is an issue also that the ministry is going to have to deal with and that I have referred to a couple of times already. It simply is not going to go away. We are going to have to have some action when basic economic decisions are made that affect workers during the life of that agreement.

In terms of certification procedures, arbitration procedures, hearings and general complaints to the board, I want to put in a comment myself on the quick action I have had. The problem has not always been resolved, but I have had a quick response to complaints to the employment standards branch and its director, Mr. Scott. I have found him very helpful to me. However, what we need and what we want to be sure we get is a very relaxed, a very unstructured and a very informal and non-court-like atmosphere in all of our dealings with the board. A system of panels or special officers dealing with specific problems or periods of time would be a positive move.

One of the astonishing things in the whole Kelly report was the feeling, held I think by almost everybody in the labour movement that looked at it, that it would lead to a more court-like and structured role than currently exists in the ministry.

I am sure many unions and certainly the Ontario Federation of Labour have expressed their concern at the more rigid definition of a strike that exists in Ontario than in other provinces. I would be interested in your comments on this as well. There are many changes that should be made in employment standards in this province. I would like to deal with one or two of them specifically. Paid vacations: when are we going to get out of the 1930s in this province and provide decent vacations as a matter of right rather than the two weeks we currently have?

I was recently called by the wife of a construction worker in my riding whose neighbours on either side of her were organized and were both going during this past summer for four- and five-week vacations. The cold hard facts in their cases were that they were organized. Her husband with 27 years' service was not organized and was looking at a two-week vacation. If he took more, he wasn't paid.

I couldn't help but think at that time of some of the things and some of the questions I had asked about the Swedish system. I noticed just recently—I don't know just where I put it—that they have gone up to five weeks now by law for everybody in Sweden, and there's not a time frame on that. When are we going to take some action so that at least we have a minimum—maybe three weeks after 10 years or four weeks after 15 years—by law rather than the basic two we now give?

Certainly it's an issue on which Ontario could break some ground and show some leadership for once. People who for whatever reason haven't been able to organize deserve this just as organized workers do. I don't think it's an issue really in terms of the basic right of a worker that should have to be negotiated other than for benefits over and above a basic vacation.

The Labour Relations Act stresses the right of workers to organize into the union of their choice. Procedures don't always coincide with this right. Surely the most obvious answer is to change the status of the employer to one that provides information only and has no other status before the board in speeding up procedures from the day of the application and provides automatic certification when 50 per cent of the cards are presented. I suspect this alone would eliminate petitions. I am

glad to see you are taking a look at this particular area. I would hope it's not just a tiny look, but that you would move very quickly because I always thought the right of workers to organize was one that we encouraged. Certainly the procedures that have developed in the board don't necessarily back that up.

I want also to deal—and I want to do it very seriously and in a way that doesn't deal with the total program, I know it—with the issue that's had all kinds of press in recent days, the topless waitress issue. That has been a problem for some time with a union involved in trying to organize in a very difficult field, the hotel and restaurant field. We have a private member's bill now and I'm perfectly willing to see any variation of it come from the government. It simply says that one of the things we can put into the employment standards is that an employer should not be permitted, as a condition of employment, to demand that waitresses spend seven minutes out of the hour nude, as the union has had requests that waitresses do. It can get them into trouble under their contract arrangements if they don't provide them as a condition of employment.

I think this downgrades the dignity of an individual, a female in this particular case, but regardless of my own personal feelings, if firms or clubs want to hire entertainers, that's one matter. They should hire entertainers and hire them at the entertainers' rate. They should not pay less than the entertainers' rate, only upping the waitresses' rate somewhat. They're not getting quite as much money, when you do some checking on it, as some people think by filling both jobs in these dishonest kinds of operations.

It's only one small step, but if that were not allowed as a condition of employment, you would protect those most needing protection, the people in the trade of waiters and waitresses.

I can't for the life of me see why something as simple as that couldn't be done and done very quickly. It still leaves the question open for broader debate on whether or not people want the right to see burlesque or nude dancers—you name it. What I'm saying is it can't be a condition of employment and can't cut out the employment of an awful lot of people who have to make their livelihood in this particular trade. A trade, incidentally, that the union at the present time is trying to upgrade. And that's difficult when you have a trade that's not paying a hell of a lot of money.

I'd like to spend a minute or two on an old chestnut of mine, a particularly difficult

one; the problem of the handicapped in the province.

In the last two estimates, I raised question of the lack of employment for physically handicapped. I debated whether or not to mention it again this time, there's one case I followed through personally, a case in which I don't seem to have any influence whatsoever. I'm talking about a young epileptic by the name of Randy McMann.

A year ago he was unemployed in Hamilton. Over one three-month period, 116 searches were turned into my office and verified. Randy suffers from epilepsy but not a particularly difficult case of epilepsy. He still without work. An awful lot of people in this and other handicapped fields are without work. I know there's discrimination there, Mr. Minister. I'm damned sure you know. I know also that we can't prove it and it's a real problem which we don't seem to be resolving.

I know you've had calls from other groups. Recently, I know you had a call from a blind organization, the people from BOOS. I'm not sure it's the answer, but I'd be interested to know your resistance to a prime clause in all legislation dealing with discrimination in this province.

I floated it as a balloon in the last two estimates and I'm putting it now as a definite proposition—consider a quota system. I've listened to the arguments. I've listened to the arguments from some of the handicapped people themselves. But I've worked with enough, gone to bat for enough, pleaded with enough people to try and provide jobs for them that I know you just ain't going to get it by asking for it or setting up all the new programs or all the nice PR publicity for the world.

I don't know how we're going to ensure that these people get their share of the jobs in society if we're not prepared to say, "You're going to have to give them a job, you don't, you're going to have to pay for that and somebody else will pick up the incentive to give them the job." I don't know any other way.

It took me two years to come down hard. I've now come down hard. You show me a positive way. You show me what can be done and I'll listen. But nobody has been able to do it and these people have even more of a problem than the general run of unemployed people in society today.

It's difficult to separate vacations and unemployment from the hours of work, Mr. Minister. I would be interested in your comments on a shorter work week in the pro-

ce. It's something we should take a look at, and any other method that might provide additional employment, which we badly need. I'd particularly like to hear your views on this, considering the continuing problem of overtime surfacing in the Ford plants.

I know the inherent problems within the work force itself on it. I can't help but once again refer to one of the recent, very interesting *Working Life in Sweden* papers which dealt with the whole question. There's an interesting piece here on the five-week vacation, incidentally, and the fight for shorter work weeks, and the fight for more employment in the province. A point which really struck home to me was this: In Sweden, moreover, working-hour cuts have been accompanied by an increasingly stringent rule against overtime. This is to prevent recurrence of the same effects as in those countries where the shorter work weeks have only led to more overtime and even to contract clauses which guarantee overtime."

They have moved not only in many progressive ways in the field of labour legislation, they have also moved in trying to shorten the work week. The average overtime runs 20 minutes in Sweden, now. In addition to that, they are making damned sure, as they look at the whole question of hours of work, that they are dealing at the same time with the overtime problem. Sixty hours in the maintenance trades in the automobile plants are common today, Mr. Minister, and you can do some checking on that. The assembly lines are 48 and 50 hours. I just wonder why we are not willing to take a look at this particular field.

I want to wind up with the question the Minister started with. That is the whole question of safety and health in the workplace. There are a number of things we haven't yet covered. I want to give some of the others who are here tonight a chance. For that reason, we will have to leave some of them for the various votes and the various estimates we will get into. I really wonder why it has taken this long, and what kind of a commitment we can have from you here tonight that we are going to see it 70 back in the House. I wonder why we can't see that bill back in the House in the form in which it left the committee, without the amendments which I strongly suspect we will see moved—and once again I hope I am wrong, because I think it is the most short-sighted thing this government could do.

For example, in terms of the right to refuse, I can't help but think of the previous Minister, who certainly didn't hit me as any friend whatsoever of labour, who made it very clear there had not been an abuse of the right to refuse. I want to point out to you that I know of no other subject, not only more important currently to workers, and I think with a higher profile in the public right now, and I think more public support, than the whole question of industrial safety and health.

Some of the horror stories that are just starting to emerge from the previous years, and the things we should be doing in terms of tracing down coke ovens and foundry workers, silver workers—which I think is the latest one, from information coming to my office, that is ready to break—and asbestos workers. I wish we were making the kinds of attempts to locate them that they are now making in the United States and that we are not making. When I asked the Minister of Health (Mr. Timbrell) a few months ago he wasn't ready to initiate the kind of major campaign to try and locate people who had worked in asbestos, specifically, in this province.

All of these things—the daily comments about what happens to workers with PCBs and the various other toxic substances that are appearing—make this a subject that workers are aware of, a subject that workers are going to now insist on some action on, a subject that the general public understands, people generally understand. Mr. Minister, if I can make this point with you, it also makes this an area where, more quickly than any other area, we could start involving workers in the decisions in the work place.

My God, I don't know of anything more helpful, if business and this government could ever get over the fear of some imagined bureaucracy because there has to be a committee, or of some right to refuse, disrupting a plant, or of the importance of laying out and pre-testing toxic substances. If they could ever start involving the workers in a discussion of the procedures, the substances and the testing that has gone on and the information the company has, a free flow—without having to fight for it all the time—of the monitoring information in difficult locations in various plants, mines and mills, if this ever became an area whereby the workers were truly treated as equals and they could show what they could do—and I submit to you it is every bit as much as any member of management has ever done in this particular field—you are potentially

opening the door to the kind of labour-management co-operation that we desperately need in this province. I don't see another area that holds as much potential as that area, but let me tell you, it just ain't going to work, if what we're going to get is a fight to establish the minimum standards and go through what we've already gone through once in that particular bill.

[9:45]

I would ask you to tell us what we're getting and when we're getting it. I would ask you to go back to the bloody Tory cabinet and say, "If you want to change some of the direction of the industrial relations in Ontario, you start by saying for once in our lives we're going to include workers in the decisions as equals, especially where it is something that affects them directly."

I think that kind of move holds the potential for some real advances. I would hope, Mr. Minister, that's what we get and not what I and many of my colleagues fear it's going to be with the bill coming back in with a series of amendments that really help to get the damn thing again.

We'll deal with some other matters that we haven't raised here later, Mr. Minister, but I'd like to close off for the moment.

Hon. Mr. Elgie: Ladies and gentlemen, I know that you will understand that in what seems to me like a very brief time as minister, I still don't feel I have—if you'll pardon the phrase—a complete handle on all there is of the ministry. I'll endeavour to answer what questions I can in response to matters you've put to me today but with the understanding that as we get to the items in the estimates we can deal with them in greater detail and ask the staff to facilitate the limited knowledge I have been able to acquire in the short time I've been here.

Thanks, first of all, to Mr. O'Neil, the Labour critic for the Liberal Party. I want to thank him for his kind comments and I would tell him that I will do my very best to live up to the remarks he has made about me.

Your first comment, Mr. O'Neil, had to do with the unemployment problem. I'm sure you said that because we all have the same interest in the unemployment problem, no matter where we are, in the back bench, the opposition or in the cabinet. I'm sure you appreciated when you brought that up that unemployment is not a specific problem related to my ministry. You know, I'm sure, there are federal initiatives and there are some provincial initiatives, and provincial initiatives the Treasurer (Mr. F. S. Miller)

has indicated may be forthcoming in the near future.

There are some areas of the ministry which do, in an indirect way through my role as chairman of the manpower coordinating committee, get me involved in some areas of the unemployment problem. I think it goes without saying that you already know we're involved in co-operation with the federal government in manpower adjustment committees and manpower incentive committees where industry wants to expand or change its process. I think that, to date, it's fair to say we have co-operated fully in those and will continue to do so.

I'm sure you also know that throughout the province, again in co-operation with the federal government, there have been, I think four areas of community employment strategy. I think the largest one is in Hamilton-Wentworth. That is in your community, Bob. Admittedly, it's not large, but they were projects to see what could be done by bringing the private sector into the area and the other projects further in the north.

Mr. T. P. Reid: And one in Rainy River.

Hon. Mr. Elgie: One in Rainy River; well that's the near north, I know. I think I should be with some degree of pride that we all share the fact that even that government in Ottawa which we all have trouble admiring here now and then—

Mr. McClellan: We have trouble with all of them.

Hon. Mr. Elgie: I don't notice you waving flags this week after last weekend, Patrick, but never mind.

Mr. Wildman: These are Ontario Liberals, keep them separate.

Hon. Mr. Elgie: I know, keep them separate.

Mr. Acting Chairman: Order, please.

Hon. Mr. Elgie: We have met the enemy and they are us. Isn't that the old Pogo phrase, Patrick, as I recall it?

Mr. T. P. Reid: Something like that.

Hon. Mr. Elgie: Something like that.

Mr. T. P. Reid: Are you going to fund these programs for another year?

Hon. Mr. Elgie: What I was about to say was the interesting thing is that even that government we may not always have great admiration for has recognized the programs in Ontario have been the most successful in the country, to the point that while all the other programs are being abandoned, the programs in this province have a commitment to continue for another year so the final evaluation process can be completed.

I think it's fair to say that I've had a personal conversation with at least one of the chairmen, who expressed such an interest in the effectiveness of the program as he has seen it that even were it to collapse in terms of federal-provincial funding, he feels it could still carry on so long as this ministry continues with some backup to him and to that community. I think that's the sort of backup to that kind of successful project we can commit ourselves to. Again, I can't say that with any certainty now since we don't know what the end result will be after the further year's funding which has, as I understand it, been agreed to.

I might also say that there have been recommendations from the manpower co-ordinating committee, as I understand from John Kinley. Of course, he's the world's authority on all these issues. Aren't you? I hope you are on your way. He tells me that prior to my coming to the ministry there were several areas of job creation that the manpower co-ordinating committee dealt with and recommended to the federal government. If I'm not mistaken—and he can correct me later if it's not so—the JET program, the job employment training program of the federal government, arose from suggestions of that committee. Is that not a fact as I recall? What was it?

Mr. Kinley: The expansion of it through UI funds.

Hon. Mr. Elgie: The expansion of it through UI funds arose from a suggestion from that committee. In any event, we are interested as a ministry which has no primary responsibility for unemployment in certain aspects of it. I share your concern about the unemployment problem and I'm sure we all have the same concern, but as a ministry we are not particularly involved in it. To my knowledge, that is the extent of our involvement, subject to what may be said by people in the ministry who are more knowledgeable than I am about that particular area.

Mr. O'Neil and Mr. Mackenzie went on to express their concern about what's happening with Bill 70. First of all, let's all be very clear and honest with each other. I think the previous minister stated last year that there is a strong and firm commitment to health and safety in the work place from this government. Mr. Mackenzie knows from our sittings during the summer on the health committee that most of the areas of preventive medicine, which we know them today, have been invoked in an effort to try to improve society's health. There are some areas, as Fraser Mustard was telling me the other day, that we're still having trouble with. There are people smoking cigars. There are people like myself who go

to too many banquets. There are nutritional problems and there's under-nutrition in some areas.

One of the big areas remaining in prevention is occupational health and safety, and that is an area that concerns me. I would hesitate—and I'm sure you didn't mean it—to suggest that there just is no health and safety work going on and that there are no committees. I've been in Sudbury and in Elliot Lake and I know there are health and safety committees. One of the health reps from two areas went with me the other day in the mines; so I know that those committees are in existence. We're not talking about an area devoid of any.

Mr. Mackenzie: I was talking about Bill 70.

Hon. Mr. Elgie: I know. But there is out there, in fact, a commitment now already under collective agreements and under certain other procedures to health and safety along the lines we've talked about in Bill 70.

As to what the fate of Bill 70 is, I have to tell you in all candour that at the present time it is being reviewed by cabinet and will soon be reviewed by my colleagues and me. What the final outcome will be, I can't at the moment indicate to you because that's the exact stage it's at. It's just that simple. I wish I could elaborate further at this stage and I hope that before we're finished I will be able to. But at the moment, I can go no further.

Mr. Mackenzie: Will we see it this session?

Hon. Mr. Elgie: All I can tell you at the moment is that it is for consideration before cabinet now and will soon be for consideration before my colleagues in caucus. You have in all honesty and reality to accept the fact that the bill the government introduced came out as an entirely different bill from the one it introduced. Therefore, the matter does have to receive input from all of the parties who were involved in Bill 70 following the passage of that bill from committee and receive a review by government of the views of all of the people who are involved.

That being said, there need be no doubt between Mr. O'Neil and Mr. Mackenzie and me of my own personal commitment to that sort of a concept and to the concept of internal responsibility and worker involvement in health at the work place and health in an even more general way.

To confirm that commitment, this ministry has allocated a fairly large amount of funds to the Ontario Federation of Labour to train people who can then train other people on site, who can go on further to help this whole concept of internal responsibility. Don't ever doubt the commitment, but at

this moment I can't tell you what the exact outcome of Bill 70 will be. Frankly and honestly, it's going before cabinet. You asked the present status and I've endeavoured to answer.

You asked what the present status was with regard to the training of personnel who will be needed for an expanded health and safety program. Beyond saying that there are a couple of universities involved, and three or four community colleges, I can't get into the exact details about it; I'm not that knowledgeable about it. Later on in the estimates I'm sure Dr. May and the others who are involved will be delighted to review it with you.

You then made some remarks about the results of research in certain areas with regard to labour markets and another list of things that I'm afraid I couldn't take notes about, but Gerry Swartz, the director of that research program is here. He's a very devoted guy who turns out very able reports and he'll be delighted to review what's going on in that area with you.

You also asked if information about health and safety committees in other jurisdictions which had not been made available to the opposition could be made available to you now, and I hope as we get more deeply into the estimates that you'll take the opportunity to ask Dr. May about that, because he has carried out such a review and I'm sure he's happy to respond to you. I see no reason why he can't.

You then got into the employment standards area and referred to the handicapped in society. I have a concern for the handicapped, I'm on the board of the Ontario Crippled Children's Centre. I deal with their problems as children, and going on as adults, all the time. I dealt with them as a physician. I know the difficulties they have. When Bob Mackenzie talks about epileptics, I know the terror epileptics have that the application form requires them to mention it. I have to tell you that the areas we're working on involve not only the revitalization of the David Warner program—hello, David. How are you?—not only the pilot project within the ministry itself, which I am sure Ms. Earle can report to us about later, but the handicapped affirmative action program which she has just recently got involved in and can bring us up to date on.

In those areas I hope that you'll feel that we're at least making a start and that this start indicates a commitment to an evaluation of those programs and to further steps if it's indicated that they aren't as effective as we'd hoped they would be.

You made a reference to the Inco strike. When you talk about the Inco strike you have a very important note in my life because as Tim and Vic Pathe will tell you, we devoted a considerable amount of energy to that, and I must say with great pride that the Premier devoted a considerable amount of energy to that. Eventually a compromise offer was reached and it was with regret that it was turned down.

I know that people who supported that offer, including the director of district six, felt my concern. That doesn't mean I'm saying it was the best offer that should have been made. I hope maybe when the Falconbridge vote is in by the end of the week we'll have some idea of what different offers one should be looking at, but I can tell you that there was at that time a commitment to try to help the workers at that place achieve a settlement. I couldn't have done more as a human being, no matter what party I belonged to, than I tried to do on that occasion. I speak for my staff at that time too.

[10:00]

Should more be done? Should there be more forceful solutions? I remain open and willing to involve myself and my ministry on any occasion that it is indicated to me that interference would be welcomed, and that it would achieve something. That is a position I have taken for weeks, and that you know. I am sure, Robert, you know my position. There need be no doubt about my willingness to participate in as strong a way as it is possible for me to do as Minister of Labour in that process.

You also got into the question of the shortage of skilled labour. As I mentioned, we did have a conference—the Skills for Jobs conference in June—which was remarkably well attended by representatives of labour and management, who gave very frank statements about their concerns. We have had two or three meetings of the manpower co-ordinating committee as a result of that report.

I think it is fair to say colleges and universities now feel that their employer or the-job training program is moving ahead and their existing college program, and the vocational school program are receiving greater emphasis. These specific concerns were voiced at the manpower co-ordinating committee meetings, and these were the assurances I was given. A tiger like John Kinley, I am sure, will follow their activities with the diligence and vigour with which he follows me around to tell me the latest news that is happening. I think we can

assured John will keep his eye on that and report to us.

In addition to the skills shortages, I might say we also have a labour market information centre in our own ministry. You may wish to ask the people who are in charge of that some questions when that item comes up for a vote.

Your attention then turned to the Ontario Human Rights Commission. You indicated they were doing a good job, but you felt they approached employers as if they were guilty.

I haven't personally heard that report. Anything is possible, I am sure. I am sure you also know, if that was so, it is hard for me to accept that 80 per cent of complaints would be settled by negotiation and conciliation. That that many are settled by conciliation is some assessment that there must be some agreement between the parties. If that 80 per cent figure comes from any harassment of the employer, I would be surprised, and indeed disappointed. Of the other 20 per cent—10 or 15 per cent, I forget which is—five per cent go to boards of inquiry and the other 10 per cent have no boards where the human rights commission feels a board isn't justified.

If you have real concerns and personal information about a situation where the employer is harassed and treated as if he is guilty—just the same as if you have situations where the employee is treated with that sort of bias—I'd like to know about them because that sort of thing, I don't think, can be tolerated.

Mr. T. P. Reid: Puretex—we'll get to that one later.

Hon. Mr. Elgie: I think that dealt with the main items you brought up. If there is anything I have overlooked, I will be delighted to respond a little later to them.

Bob Mackenzie outdid me with the length of his statement, but I know he had a lot of things on his mind. He is a very involved, and interested and committed guy, and these are topics that are very close to his heart. So I understand—

Mr. Mackenzie: The entire caucus.

Hon. Mr. Elgie: I didn't mean that in an offensive way and excluding you or I from the concerns we should all have.

You referred to the Kelly commission on two or three occasions. Just so I try and understand the situation as accurately as I can, the present arbitration process was felt, quite frankly, by this ministry and by the deputy in particular, to be one that was too costly and too long and too arduous a pro-

cedure to put people through. Several months could go by before there was a decision made, and by then the costs could be incredible and the situation back at the ranch could have changed dramatically.

It was those concerns which were shared that prompted the appointment of Mr. Justice Arthur Kelly to head that commission. I don't think there is anybody who would say that Mr. Kelly hasn't had a good reputation as a jurist and he came well recommended. It may be that you don't like the report that he presented, and it may be that, when the various opinions come in from a number of people, they won't like the Kelly report.

To date, we haven't heard from many people. Of those who we have heard from, I think it is fair to say that the majority offer criticisms along the lines you have suggested. But I do want to tell you that we didn't have Mr. Justice Kelly hold his commission of inquiry, and I didn't submit the Kelly report for public review, in order that we could sit on it. The whole process is aimed at trying to correct the situation that brought it about.

I know that may not get done as quickly as you would like it to be done, but let me tell you that we are not at odds about the need to have a change. That's why the process was started. So that is not something that there needs to be any argument about. You may say that it is moving too slowly; that's a criticism I would have to evaluate and see if it's justified. But let's not criticize about the motivation. The motivation and the intent are that there will be some improvement in that arbitration process. I don't think you ever really doubted it.

Mr. Mackenzie: Why are you trying to use the Kelly report as the basis for that evaluation?

Hon. Mr. Elgie: We are getting input from you now about your opinion on the Kelly report. We are receiving submissions from individuals about the Kelly report. I sincerely hope that anyone who has an interest in the Kelly report will submit an opinion to me. The object of the whole game was to cut the time and the cost and to make it a less legalistic procedure. If you were to ask me "Do you think the Kelly commission suggests a less legalistic procedure?" my answer would have to be no. I don't think it did. I think it increased the legalism in the process.

What the final recommendations will be, I'm afraid will have to await the input that we feel is necessary in this sort of an open process that we are in now. But I do tell you, in all candour, that something will be changed.

Mr. Bounsall: The report brought you no closer to the solution; that's the problem. In fact, it took you further away.

Hon. Mr. Elgie: Unfortunately, Mr. Bounsall, when we set up a commission we can't tell the commissioner what to decide. That's what the process is all about. He has held an inquiry, he has received briefs and he has submitted a report. Our job now is to evaluate it ourselves and to get input from others about their evaluation of the report, having in mind the reason that we set up the commission. I think that's fair enough, isn't it?

Mr. Bounsall: It must be discouraging to you to have to start again at grounds zero or further back.

Hon. Mr. Elgie: Those of us who want to evaluate life on a day-to-day basis and improve it as much as we can—

Mr. Mackenzie: I guess what we are really saying is to make the best of a bad deal and scrap it; hold a quick meeting with people over some things like the use of Bill 112 and a number of other things.

Hon. Mr. Elgie: You might like to say, "Scrap it and don't get any input from anybody." But I have to tell you that's not the way one would like to feel that commissions of inquiries by someone of the stature of Justice Kelly should be dealt with. I think they deserve review from a variety of sources; then we have to consider the value of the report and the opinions we receive.

Mr. Mackenzie: The question is whether we need the further delay in the whole field.

Hon. Mr. Elgie: Anyway, that's the process as I see it now. I don't think we are really at odds about the goal we are after.

There were several areas you covered, Robert, that I hope I don't overlook any of them. If I do, please bring them up either immediately afterwards or later on during the particular vote.

You talked about the "establishment Tory cabinet" and that I could well just be another Tory cabinet minister. I don't take that as a criticism.

Mr. T. P. Reid: It is difficult not to be.

Hon. Mr. Elgie: I don't take that as a criticism, really, because in all candour, and I don't want to elaborate on it, I think if you look at the record of this government and of the governments that preceded it, which were all Conservative governments, there is a pretty good record in evidence of our social concerns and our needs to deal with the concerns of all people. I stand by that at any time. If you want to go back to Sir James Whitney, wrapping himself in the Union

Jack to save Hydro, I would be glad to go back that far too.

Mr. Bounsall: He was the last good one.

Hon. Mr. Elgie: But if only you could be the first good one from your party, you would have a real thing to put on.

Bob, you then went on to quote from your statement in last year's estimates where you said you felt the Ontario Labour Relations Board supports the status quo and that it is establishment inclined. I'd like to tell you that from my brief exposure to the selection process with regard to members of that board, it couldn't be more open. There couldn't be a more honest effort to try to find people who—I don't take objection to the words—who are honest neutral brokers. That's at the chairman and vice-chairman level. As you well know, for the rest of the members there is an honest effort to divide them in a reasonably equal way between representatives of management and representatives of labour.

I have to take exception to that remark, particularly when sitting to my left is that terrible fellow named Tim Armstrong, who was the former chairman of the Ontario Labour Relations Board. To think that he would be establishment inclined would mean—goodness gracious, what would happen to the world if he is establishment inclined?

Mr. Mackenzie: In terms of representation on the board.

Hon. Mr. Elgie: I would have to take exception to that. I hope that during the course of our estimates you can follow that up more carefully with Tim, because we have an unusual opportunity, with someone of Mr. Armstrong's capabilities on our ministry staff, to deal with the specific sort of complaint you had. If there is any suggestion that is true, it has got to be changed. That surely has to be a neutral broker commission. If there is any honest evidence that's not so, I really want to hear it, because that is a concern.

I'm delighted to know that as you sit in the Legislature, you had the opportunity to read my speeches to the Ontario Federation of Labour. I must say that when you sent a little note across to me saying that the language was so complicated the average man couldn't understand it, that really hurt. And I was grateful for your offer—

Mr. Mackenzie: I told you you lost me at page three; you lost the delegates at page five.

Hon. Mr. Elgie: At least your offer to help me with my next speech really warmed my soul. Perhaps next year I won't go, as a result.

Mr. Mackenzie: For the record, I want it clearly understood that I didn't offer to help you.

Mr. Wildman: The minister could read Bob's leadoff next time.

Hon. Mr. Elgie: I wouldn't like there to be any mistaken impressions about that speech. You referred very frequently to the neutral broker role I suggested. But I think if you read that carefully, in combing down that one area, what I said was that in the conciliation and mediation service it was most important that we be seen as neutral brokers. We have to depend upon trust from both management and labour.

I then went on to say that in the United States this very issue had been so important that the conciliation and mediation service had been separated from government entirely and had become an autonomous body. If this was a concern, that we couldn't stay a neutral broker, we might have to look at that sort of role in the future.

But let's not confuse that with any concept that I see myself as a neutral broker vis-à-vis the concerns of labour. What I clearly said was that I think I have an obligation as Minister of Labour to vigorously and sincerely put the legitimate concerns of labour to cabinet and to the Legislature as I see them.

I then went on to say that I wouldn't expect labour not to be critical of me or

of my government. Thus I anticipated they would expect me critically to evaluate any views they had, and that they would expect that I could listen to the views of employers and critically evaluate them.

Having said all that, I then made it very clear that my balance had to be in favour of presenting the legitimate views of labour vigorously and earnestly before cabinet and the Legislature. There was no talk about a neutral broker. The neutral broker related specifically to our area of involvement in mediation and conciliation and I think that should be clear. I think you will agree that is exactly what I said—wasn't it?

Mr. Mackenzie: I might deal with the other two paragraphs.

Mr. T. P. Reid: That is one thing you agree on anyway. You are killing us with kindness today.

Hon. Mr. Elgie: We agree on many things. What do you want, Patrick, snowballs at seven tonight?

Mr. T. P. Reid: You are a change anyway, refreshing or otherwise.

Hon. Mr. Elgie: I will give that the consideration it deserves and totally ignore it.

Mr. Acting Chairman: A five-minute bell. I do now leave the chair and we will meet at 10 tomorrow morning.

The committee adjourned at 10:17 p.m.

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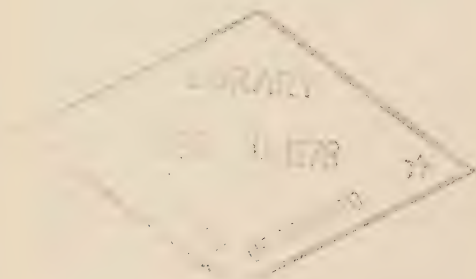
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Resources Development Committee

Estimates, Ministry of Labour



Second Session, 31st Parliament

Wednesday, November 22, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 22, 1978

The committee met at 10:15 a.m.

ESTIMATES, MINISTRY OF LABOUR (continued)

Mr. Acting Chairman: Seeing we are 15 or 17 minutes late in starting, we should get the meeting in progress. I believe I see a quorum, so we will start. The minister was responding to some of the opening statements by the two opposition critics. We will turn it back to him.

Hon. Mr. Elgie: Last night I was replying to remarks made by the member for Hamilton East (Mr. Mackenzie), the critic for the DP. If I could go back for one moment to some comments he made about the speech I gave to the OFL, I think he indicated facetiously that he couldn't get past page four. I was therefore delighted that the remarks I quoted were on page 10.

Mr. Mackenzie: That was when you lost the audience.

Hon. Mr. Elgie: Yes, but you indicated I left you at page four, clearly you recovered very nicely and got to page 10, I think we clarified that.

Mr. Mackenzie then got into the question of plant closures, and more specifically the Columbus McKinnon closure. He was good enough, quite honestly, to quote from the newspaper in the Niagara region where the Deputy Premier indicated his distress, as well as my own, with the decision to close that plant.

Since you did bring it up, you should know that my involvement was immediate. On the day I was appointed to cabinet, I got both parties together on at least two occasions and finally was successful in having the chairman of the board of the parent company in the United States come up and meet face to face with the workers in that plant in order to see if in that sort of direct confrontation situation any solution was possible. I feel quite confident in saying that in my own mind I did all that was reasonably possible, and so did my staff, to try to overcome a situation which clearly concerned all of us. That was just one particular aspect of the general problem of plant closure you were referring to. If I

could just make a few remarks in that area, you know that the Ministry of Industry and Tourism always endeavours to be involved, whenever there's an indication of a plant closure, to see if it can assist in either adapting the plant to some new process or in assisting in the sale of that plant.

A good example of that was a year ago with Anaconda Brass where, through pretty vigorous endeavours and trips to New York, Anaconda was purchased by a Canadian company and is in full operation.

There are some other examples of the government's endeavours to facilitate employment, and the most recent is at the Ford plant in Windsor.

I might also say, as I mentioned before, that there are other combined federal and provincial efforts whenever there is an indication of a plant closure, such as the manpower adjustment program, but I don't think that is what you are getting at.

Also, as my staff in employment standards would tell you, whenever information comes before me that there is to be a plant closure and that there is control residing outside the province, I endeavour to satisfy myself there are just reasons for the closure.

In a recent conversation with the new Minister of Industry and Tourism (Mr. Grossman), it was agreed that an improved collaborative effort between the two ministries was indicated and was justified in order that they were kept fully informed of plant closures and that none was overlooked in terms of what assistance they might give to avoid that closure. So I think there is a pretty good and honest interest in the problems and a willingness to do what is reasonable and possible within the circumstances to try to avoid closures.

You then got into the question of technological change provisions—

Mr. Mackenzie: Before you leave that I would like to comment that I don't think there has ever been any question, in terms of what can be done on a one-to-one basis, about the intent of people in your department or some of the other ministries. My whole point is that the discussions, the talks, the calling them over from the United States in the case of Columbus McKinnon, is not

good enough. That is not winning us many battles. Even in the Anaconda case, there was one hell of a lot of pressure put on before we succeeded in focusing enough attention on that particular plant. I know I was talking about it for almost a year before the thing was finalized; somebody recognized they could make a deal and there was a viable operation there.

It is not that you won't say: "Hey, let us know." We are not knowing far enough in advance and we are not putting enough pressure on to say you can't do the kinds of things such as were done at Columbus McKinnon. I don't think all of the efforts that were made there take away from the fact that that shouldn't have been allowed to happen by the government of this province.

Mr. B. Newman: Mr. Minister, there is a liaison that must exist between your ministry and the other provinces. Take, for example, Cadbury closing up in Montreal. Your ministry may have known of their intent to move into Ontario quite some time ago so that you could have informed the Quebec authorities, and this could work on a reciprocal basis so that we would know well in advance that an industry is going to vacate the province of Ontario and go where they think are more fertile grounds.

Hon. Mr. Elgie: Vacate the province of Quebec, you mean?

Mr. B. Newman: No, I am essentially looking at it from the Ontario point of view, but we would have been able to inform Quebec that Cadbury had intentions to leave their province and come into Ontario quite some time ago, because I don't think that decision to leave on the part of Cadbury was one that was made overnight. I would think they would have been negotiating with someone in the province of Ontario.

So it is a two-way street. You are going to have to have some kind of liaison, not only interprovincial liaison but also inter-state liaison, because we will have plants in the Windsor area which could very easily just close up and hop over to Detroit or somewhere in the state of Michigan or Ohio or even in New York out here; the advance notice has to be much more substantial.

Then there is the technological change that can mean the numbers of employees are dramatically reduced; I don't think we know of that well enough in advance. For an employee to come along and find out in six weeks that his job is no longer going to exist is not fair at all to the employee.

Mr. Acting Chairman: Rather than have open debate, I think we should permit the

minister to finish his response and then probably start the votes.

Hon. Mr. Elgie: If I may just respond to questions that have been asked, I think you'll agree there is no way the Ministry of Labour would have been advised of an intention to move from Montreal. I think you also would like to be put on the record as indicating that perhaps in interprovincial matters there is a very major federal involvement—if not the major involvement—in that sort of issue.

Regardless of that, the Ministry of Industry and Tourism would be the ministry that might be aware of movement of one plant from one province to another. But, to my knowledge, there is no reason the Ministry of Labour should be informed of that. Is that correct?

Mr. Armstrong: In this particular case, I don't think we were.

Mr. Mackenzie: Mr. Chairman, just for the sake of how we're going to handle it, because I made a fairly major point in my presentation about the plant moves, closures and our control or lack of it, there are a couple of comments I'd like to make before we get into the actual votes, in response to what the minister has just said about Columbus McKinnon and some of the other plants they've been involved in.

Hon. Mr. Elgie: Mr. Mackenzie then makes some remarks about technological change and workers' rights, including the right to strike during the life of a contract.

Naturally, we all share concerns when technological change does change the work environment. Surely that's one of the roles of preventive mediation. Surely, if there is an ongoing and healthy relationship between management and labour, that sort of problem is not one that needs become an issue of confrontation. I would hope that's the role that preventive mediation would have, and I hope it will be utilized to an even greater extent.

As for strikes during the life of an agreement, I think that's a little bit beyond our ability at the moment to discuss in any detail except that in the past a contract has been a binding agreement for a period of time specified in the act. To change that would require a fair amount of consideration. I'm not saying I'm not willing to look at it, but it isn't something that's immediately open under existing legislation.

He then made some other comments about the blessed events in Saskatchewan. We agree they're quite fortunate to have their assets and resources they do.

Mr. McClellan: They also know what to do with them.

Hon. Mr. Elgie: He made some comments about the branch-plant economy that this country is subjected to. He knows very well that's a decision that was made many years ago by a federal government, at a different level than this.

We share his enthusiasm about the steel industry in this province. I was surprised and disappointed to hear that he thinks that industry may be going on the skids. I'd never heard that suggested. I've had some discussions with members of the ministry about the various companies around the province, and that was never suggested to me. I think that is distressing if it's true. Frankly, I don't believe it's true. But I'll be glad to hear any other information he has that led him to that conclusion.

He made some comments about deregulation and that it was going to deprive workers some rights. Surely we must all agree that the aim of deregulation, as it's been talked about, is not to deprive people of rights, but to enhance the development of business.

Mr. McClellan: Of what?

Hon. Mr. Elgie: Help the development of business and industry, to enhance the flexibility and the capacity of an industry to getting along with a minimum of government interference.

I've heard no talk, certainly in any areas I've been in, of any intention to alter regulations or acts that would affect the rights of labour. Again, if the member has information to the contrary, I'd be pleased to hear about it.

He then made reference to the big, bad union; and union-bashing in which this government, and in an indirect way I, may be involved, particularly since the back-to-work legislation of the TTC involved my ministry. In my speech that day, and in my comments following that, I clearly stated that we looked at the TTC as a very special situation. Even though I have had requests from people who would surprise him to intervene and legislate arbitration in other transit strikes, I have not seen fit to do so for the very reasons the member spoke of that day. I would indeed be surprised at the people who would like intervention and legislation to force arbitration.

[130]

Mr. Mackenzie: I don't disagree with you.

Hon. Mr. Elgie: The reasons were clearly outlined under very special circumstances in Toronto. I also would remind you that you can never suggest to me that I have been involved in any union-bashing. In my speech on Labour Day at the CNE I clearly paid

tribute to the job unions have done in securing rights for workers and laid tribute at their doorstep for most of the improvements gained by working people in this province.

You talked about back-bench support of anti-labour sentiments. I suspect that even within your own caucus there are some disagreements from time to time. Even with regard to Bill 136 there may at one time have been some disagreements as to the policy option chosen by your leader with which you may or may not have agreed. I don't think it's impossible or improbable that there may be disagreements.

The important thing is that I spoke for the government on that issue and I said there was no thought of introducing right-to-work legislation. If that doesn't end it, I don't know what does. I resent the suggestion you made that I had arranged for someone to fly that kite to see how it might go in the Legislature. I really don't think you meant that, because we know each other better than that.

You made some comments about the federal wage controls and the fact that workers' settlements in this province were below the consumer price index. That's true. The last information I have is that settlements have been running at about 6.5 per cent for those unions and companies that have now come out of the anti-inflation regulations. That's a tribute to the workers and to the unions involved. They are making an honest endeavour to try and assist government in its approach to controlling inflation and the rising price problem. It's a difficult situation to try and correlate the fact that the consumer price index is higher than the settlements. I don't know what the answer is, I doubt you do either.

President Carter in recent statements has come up with some interesting concepts; maybe they are worth looking at. I can't accept that it's a time bomb. In all candor, you will recall that last summer you and I spoke, and you thought the labour situation would never settle; but it did. I can't believe those 24 of 25 groups in the construction industry settled because they didn't have any faith in the system, I really can't believe that. I have met with the construction industry review panel before, and as recently as a couple of nights ago I met with the co-chairman of the newly constructed panel, which by the way has new membership and co-chairmen, one from management and one from labour. They display a degree of satisfaction and excitement about the prospects and feel that the whole process during the spring and summer went better than in any other province in Canada. I look upon it as

a matter of pride in a system that is working and which did function pretty well.

Every effort is going to be made by this ministry and by that panel to improve the working relationships.

The questions that were then raised had to do with union security and imposed arbitration on first contracts. Union security, as I understand it, is primarily the Rand formula, although there are some other aspects that can be included when one talks about union security. You're right that it does appear to have been at the root of many strike situations, not just in the past year but in the past decade or two. It is certainly a situation we have to look at.

You know the reasons it hasn't been dealt with. It has been the feeling of this government that free collective bargaining as it has existed is a process that was to be encouraged; such things as union security should be bargained. I do admit that on reviewing the history of collective bargaining the question of union security, particularly as Judge Rand talked about it, has been a stumbling block in many agreements. I am quite prepared to look at it. I can't say that means that it's going to become a certainty, but I am certainly prepared to examine it.

The question of imposed first contracts; that's a difficult area. You mentioned it has been introduced in British Columbia. That's true, and even though those people in British Columbia admit there's been a great deal of difficulty with second agreements following imposition of first agreements, the argument is still put forward by Paul Weiler and others that the fact that was in the legislation did encourage a lot of settlements.

That may well be so. I am certainly prepared to look at that, but you do have to admit that imposed first agreements have not been something that have always been desired by unions. Indeed, some might say well if the first agreement can be arbitrated, why not the second, third and fourth? Why not just arbitrate them all? There are arguments on both sides.

Mr. Mackenzie: The unions learn a little faster that way.

Hon. Mr. Elgie: Sometimes when you are so enthusiastic, and justifiably so about certain areas, you want it all done yesterday. I think it's important that people who have the same concerns as you agree to look at situations and not just to say they will be done yesterday. I am certainly open to look at it.

In that same context of union security, the member brought in the Fleck strike and suggested there was professional strike-

breaking. I have made particular inquiries about the existence of professional strike-breaking and professional strike-breakers in this province—

Mr. Mackenzie: Public strike-breaking would have been a better expression.

Hon. Mr. Elgie: But we are talking about professional strike-breaking, and I am unable to find any evidence presented to me that such activity does exist in this province. If it does, I would like to know about it, because certainly that's an area we would then have to look at. To look at an area that doesn't present problems does give me a little concern. However if there is a real problem out there, I would like to know about the activities of professional strike-breakers.

You suggested that senior persons on my staff lost status because they didn't stand up and condemn the intervention of Ontario Provincial Police. I really don't think you meant that. You wouldn't have expected civil servants to stand up and tell the commissioner of police that he shouldn't have done what he did.

Mr. Mackenzie: I would have expected to have the Labour minister stand up and shout about it.

Hon. Mr. Elgie: As I am sure you know, I am really am not in the position to get into comment about whether or not there was over-reaction or whether it was a justified reaction. I frankly haven't looked at that particular problem.

Mr. Mackenzie: Five hundred officers in four days; and 523 on the scene during one day.

Hon. Mr. Elgie: If you want me to say over it day by day, detail by detail. I would be pleased to do so, but to date I haven't.

Mr. Acting Chairman: Maybe I could make one correction. I don't think, Bob, they were on the scene. I think they were available, but I don't think they were on the scene.

Hon. Mr. Elgie: Mr. Chairman, if I may take over the chair for a minute, can we get back to the topic at hand here? We have reviewed, at least we have discussed briefly, the Kelly report which you brought up again. The next point had to do with your concern that certification procedures weren't proceeding at a rapid enough pace and there should be some alteration to the whole process. Again, I don't profess to be an expert in that area, and if you don't mind I would prefer to raise that under the appropriate estimate so my deputy, and perhaps I, can make some comments. He certainly is far more knowledgeable about that

and representatives from the Ontario Labour Relations Board will be here at that time.

You also mentioned there was a more rigid definition of strike in this province than in other provinces. I have to confess I don't really appreciate the significance of that particular remark, but again later in the estimates I hope, when the appropriate people are here, we can get into that in greater depth.

You referred to the topless waitress issue. I don't think there's any argument from any side of the House that there needs to be some legislative intervention to deal with the situation, particularly in the waitress area. What the right route is, I don't know. As you know, the present minister suggests that it should be under the Municipal Act following local options. I guess initially his hope was that it could be done under the existing Liquor Control Act. Although I haven't talked to him directly about it, I rather that wasn't a feasible route.

However, it's not an issue you're alone on. It's an issue and concern shared by people from all parties. It's not a matter of whether there is something that can be done; it's a matter of what's the best route to take. Certainly the human rights legislation is one we have to be looking at and are looking at.

Mr. Mackenzie: Have you rejected employment standards?

Hon. Mr. Elgie: We haven't rejected any route. At a time when another minister is planning a route and has publicly announced he feels the Municipal Act should be the route to go—

Mr. Mackenzie: It's not necessarily one and the same.

Hon. Mr. Elgie: —you wouldn't fault me or at least waiting to see what happens as a result of his initial thoughts in this area. You shouldn't fault me for waiting to let Mr. Drea carry on with a cause he's adopted at the moment, even though there are many of us who wish to adopt it.

Mr. McClellan: He's back-peddalling so fast on his original commitment. I wonder where he's going to end up.

Hon. Mr. Elgie: Do you know cigars are bad for your health?

Mr. Acting Chairman: When did you quit smoking?

Hon. Mr. Elgie: Yesterday. Mr. Mackenzie then got into employment standards and the question of the work week and vacation pay. I gather from my deputy that these issues have in very recent time been reviewed by a committee. I intend to sit down

with that committee and see if there are any changes that are justified at the present time. If there are, I'm happy to do so. That's a process that I'll have to review. I'll have to review the pros and cons and then make decisions. I appreciate your input; I know you feel very strongly about both of those issues.

I think it would be of interest to you to know that Sir John A. Macdonald felt so strongly about the issues of the work week that in 1872 he made unions legal in this province over that very issue of reducing the hours of the work week.

Mr. McClellan: That's the last significant thing the Tories did.

Hon. Mr. Elgie: You can see how important it can be to all parties.

I think that really covers most of the comments you made during your introduction. If I've overlooked any of them, I'd be pleased to deal with them in greater detail as we go to the estimates. Have you got an extra cigar?

Mr. Acting Chairman: I think we should turn now to vote 2301, bearing in mind that we have just a little over 19 hours to cover seven votes. I would ask that you govern yourselves accordingly. As no one has indicated he wants to speak on this vote at this point of time, we'll ask—

Mr. Mackenzie: You're jumping too fast if you're going to move it that way.

Mr. O'Neil: Go ahead and finish, Mr. Chairman. I know you're going to be very fair.

Mr. Acting Chairman: Yes, I was simply going to say that we'll let the two opposition critics open up on this vote. Then I'll take the names of others as they indicate. Do you want to start, Mr. O'Neil?

On vote 2301, ministry administration program; item 1, main office:

Mr. O'Neil: I wonder if the minister could give us the relationship between the Minister of Labour and the Workmen's Compensation Board. I know that the 1973 task force on the WCB recommended strong linkages between the WCB and the minister in order to avoid communications gaps, such as just recently occurred with the information on the Dofasco cancer victims.

Hon. Mr. Elgie: I can tell you that my predecessor introduced a program of monthly meetings with the medical director of the WCB in order to keep herself aware of problems that might relate to the ministry, and of course we have responsibility for the WCB. So to date the direct and regular relation-

ship has been the establishment of monthly meetings with the medical director of the WCB.

[10:45]

Mr. McClellan: Not the chairman?

Hon. Mr. Elgie: I also have frequent personal conversations with the vice-chairman and the chairman. I think it's a good point that there does need to be a stronger liaison with regard to understanding some of the problems.

Mr. O'Neil: That's what I wondered, Mr. Minister. With you taking over the helm in this thing, rather than having this one meeting a month you yourself could meet with the chairman or other people connected with it. I know on much of the correspondence and many of the calls we have in our offices here at Queen's Park, and our constituency offices, among things that generate the most work for members are the problems we receive connected with the WCB. I feel it's an area you as minister, and perhaps some of your staff, should be paying a little more attention to.

Hon. Mr. Elgie: I know that it's a problem area that many of us have in our offices, particularly working in a heavily industrialized area. I think a closer liaison is something I should strive for.

Mr. Mackenzie: To go back to an issue we were discussing before in administration and main office, in the course of looking at the problems that affect workers, such as plant closures and plant shutdowns, do you not feel that your ministry has a role in taking a look at some of the legislation that does exist? Few things have a more difficult effect on workers than a plant shutdown or a move undertaken unless some changes are made.

I notice you mentioned, when we were talking about a major change, a plant closure during the life of an agreement, you had difficulty in accepting the idea of a strike during the period of that contract.

Hon. Mr. Elgie: What I said was that with active preventive mediation and with good management and labour relationships I really found it hard to believe there would be difficulty during the life of a contract. I suspect that it occurs in those situations where the parties only meet at the time of contract negotiations.

Mr. Mackenzie: There are a number of these cases, and I'm not sure how much advance notice the ministry itself or the government is getting in many of these cases. When a company does do that during the life of a contract it's the same thing as a strike or a lockout. Although it seems to work one way,

it doesn't necessarily work on behalf of the workers when, all of a sudden, they realize that half way through a three-year contract that plant is going to be moved or shut down. That's exactly what I'm talking about. Those are the kinds of decisions that are going to have to be made.

I noticed with interest that some other countries, West Germany for example, "enjoys some protection from arbitrary plant closures or movements. Any relocation or transfer of work must be approved by the government and must be submitted to a works council elected by the employees. If they do not agree to the proposed shifts, binding mediation resolves the dispute. No plant may close without a permit from the state labour exchange which can reject a proposed action when there is substantial unemployment in the affected area and when the corporation's reasons do not seem compelling."

It seems to me there is a possibility that kind of legislation here would have given you a handle in a case like the Columbus McKinnon.

I notice in France they allow plant closings, if economically justified, but restrict them in a great variety of ways.

"The French national labour code provides that no employee can be laid off or dismissed in a shutdown unless the corporation receives approval from the local government employment agency. That agency can refuse to approve shutdowns after considering the economic situation in the area and the economic rationale for the proper closing."

It goes on from there.

Hon. Mr. Elgie: Which document are you reading from, Bob?

Mr. Mackenzie: I'm reading from some legislation in other jurisdictions.

Hon. Mr. Elgie: I see. It's not a published document.

Mr. Mackenzie: I'll have to check with my researcher on where we pulled it from, but they are fact sheet figures on foreign jurisdictions. They deal with the situation in Sweden: "A company gets no investment tax credit unless its outlays achieve social goals such as generating jobs in high unemployment areas. Notification and prior approval requirements in Sweden make it possible for government to involve itself in specific problems that may be caused by the shutdown or relocation proposal. That, in turn, makes it possible to develop alternatives, revise financing."

Belgium and Holland both have legislation that restricts corporate plant closures with-

it prior approval by the Labour ministry or the employment agency in the various regions of the country. There are some other examples here.

I'm simply pointing out there is specific legislation. It may not be the be-all and end-all of it, but many countries deal specifically with the almost unrestricted right in this country of some firms to close strictly on the basis of their economic reasons or reasoning rationale.

Hon. Mr. Elgie: I can tell you that I have had the same interest as you have in that area and I have asked research to prepare a document for me. That was why I was asking where that was from.

Mr. Mackenzie: What we have here is certainly available.

Hon. Mr. Elgie: I think it was several weeks ago that I asked for the preparation of a review of the law and practice in other jurisdictions. Again, I can't say that review process will result in a change, but it's a situation that I have an interest in and I've asked for a review of other jurisdictions' practices.

Mr. Mackenzie: You mentioned also, several times—and I was pleased to hear it—that you are looking at several areas: certification procedures, first agreements, union security. Can you tell us what stage this discussion is at in terms of your head office? I have any kind of a time-frame? These have been requests, some of them going back years, and it has been the subject of briefs from the federation and from other union groups. Are we just looking at them and evaluating them still, or do we have any kind of a time-frame when we might see some of the action taken by the ministry?

Hon. Mr. Elgie: I don't think I can commit myself to a time-frame. I think if you go over exactly what I said, I said that I was certainly willing to have discussions about proposed first contracts, although I did see pros and cons on both sides. I did say I felt I'd have to take a more specific look at the question of the Rand formula, but I can't give you any time-frames.

Mr. Mackenzie: I guess in a nutshell what I'm saying is that it's fairly new for me; this is the third set of estimates since I became MRC. When we come to the estimates one year from now, are we going to be asking exactly the same things?

Hon. Mr. Elgie: I hope not.

Mr. Acting Chairman: Are you through for this time being, Mr. Mackenzie?

Mr. Mackenzie: I have one further question. I notice in the piece on the descriptive sheet on the women's adviser and the complement attached to that: "Professional and clerical support is received from part-time secretarial and consultant services as required."

Hon. Mr. Elgie: What page is that on?

Mr. Mackenzie: Page two. I'd like to understand that. Does it simply mean that the women's adviser is without regular or permanent staff, secretarial staff and so on?

Hon. Mr. Elgie: Could I ask my deputy, Tim Armstrong, to respond to that?

Mr. Mackenzie: At the same time, is there any contracting out or are there any people who are contract employees under this particular vote?

Hon. Mr. Elgie: In the minister's office?

Mr. Mackenzie: Yes.

Mr. Armstrong: On the question of the women's adviser, I would point out first of all that unlike some ministries we have a full-time women's adviser. The women's adviser, Beth Kendall, is here and she can speak to this, but I believe that statement to be correct, that the clerical support is received from a pool of secretarial services available in the ministry.

Mr. Mackenzie: Would that be the same for yourself or the other people in your office? I'm just wondering exactly what the status of the job is. It's not too often you would have somebody who should be having some real input into a particular operation without her own secretarial staff, I would think.

Mr. Armstrong: It would be disingenuous to tell you that I don't have a secretary, because I do. The women's adviser has access to adequate secretarial services from a pool of secretarial assistance.

Mr. Mackenzie: Every lowly member in the House has an assistant in his constituency office and a legislative assistant or a secretary, whatever you want to call it—it's a legislative assistant in our caucus. I would think the attempt to put some meaning into women's issues would mean that a women's adviser is going to have this kind of staff as well.

Mr. Armstrong: I can only repeat that the secretarial and clerical assistance provided to the women's adviser is, in my judgement, and in the judgement of the women's adviser, I think, adequate for her purposes. She is doing a fine job in that position.

You had a question as well, Mr. Mackenzie, about contract people. Was that with respect to the women's adviser?

Mr. Mackenzie: No, with respect to the main office vote.

Mr. Armstrong: I can give you a listing. For example, in the minister's office, of a total of eight positions, three are classified and five are unclassified. In the deputy minister's office, of a total of six positions, five are classified and one is unclassified. In the assistant deputy minister's office, all four positions are classified. In the final area under this particular vote, the executive director of administration, there are two positions and both are classified.

Mr. Mackenzie: Is there any particular reason for using contract employees? I'm not criticizing, other than that I have a general dislike of contract employees. Is this the personal desire of the people involved?

Mr. Armstrong: Partly that and partly a limitation on what is now called classified structure ceiling dollars, and a limitation on the amount that can be expended under that heading as opposed to contract. In part our personnel needs can be met, and I think are adequately met in some cases, under the contract route rather than under the classified route. I take it part of the general philosophy of the central agency is not to unduly increase the size of the civil service.

Mr. Mackenzie: Would all those people on a contract basis be getting all of the benefits or the same benefits as regular employees would be getting?

Mr. Armstrong: No. The unclassified people would not be participating, as I understand it, in the full range of fringe benefits.

Mr. Wildman: How can the Ministry of Labour stand for that?

Mr. Armstrong: I don't think it is any different from any other ministry.

Mr. Wildman: Exactly; that's the problem.

Mr. Armstrong: The mix of classified and unclassified has been true for as long as I can remember. The use of contract staff provides a degree of flexibility and, as Mr. Mackenzie implies, some people prefer to operate under that basis and not have the strict adherence to time requirements nor indeed some of the deductions that relate to the fringe benefits—people who are less permanently attached to the labour force as public servants.

Mr. Mackenzie: They would also not be eligible for coverage under the union contract or organization, would they?

Mr. Armstrong: John, perhaps you can help me on that. What about the unclassified staff?

Mr. Morgan: The unclassified staff cannot perform the functions of classified staff members. Their duties have to be different, to start with, or the Civil Service Commission will not permit them to be engaged. I think that is one of the key considerations.

Mr. Wildman: Can you tell me how many if any, of these unclassified staff or contract employees are hired more than once; that is, hired, laid off for the stipulated time, and rehired to do a slightly different task or the same task?

Mr. Morgan: That information could be obtained. In order to engage contract staff in, say other than the minister's office, one has to define the nature of the work they are going to do in terms of a project, both with a starting and a terminal date. If at some subsequent time another project for which that individual is qualified comes up he can be engaged to do that. There is not necessarily a line-up of people qualified to perform these various functions. There is a time element, you need to react within a time-frame to get the project handled.

Mr. Wildman: The Ministry of Natural Resources and MTC in the past have had a program where they get around Management Board restrictions on their complement by hiring people on a contract basis, letting them off, letting the federal government pick up the tab and then rehiring them to do the same job or a very similar job.

We have raised this matter many times with Management Board and with those ministries. We are not just talking about people doing temporary types of jobs like fire protection for MNR or snowplowing for MTC. We are talking about clerical staff people like that. As a result of our objection Management Board has changed some of the methods.

I am really surprised to see that the Ministry of Labour, which is supposedly an advocate for workers, is operating on that basis. If you are, I would like to see the figures as to how many people have been rehired to do similar jobs after being laid off and letting the federal government pick up the tab with UIC benefits.

Mr. Mackenzie: Just to put a finish on this, Mr. Chairman, and put it in some context I'm sure the minister if he doesn't know will learn very early, and I'm sure his deputy

knows, that this has been a sore point with many unions for a long time. I would think it's another case in point.

I will never take a position that there is not an occasional need for a contract employee, but it is an area you certainly should be minimizing to the maximum. If any government ministry should be taking the lead, I would think it's the Ministry of Labour because there is an inherently unfair fact that you do not get all the benefits. I know in other cases, not in your ministry but in the public service area, where people are let go and rehired days or weeks later. In one case I have raised, it has been going on for three years. It puts the employees in one hell of a spot. It's something where the initiative to top it should be coming from your ministry.

Mr. O'Neil: Mr. Chairman, I have a supplementary on this. You are talking about limits placed on your classified people. Do you have limits placed on the contract people so as to the amount of budget you have for that?

Mr. Morgan: I'm sorry, would you mind repeating the latter part of that? I was talking to Mr. Bounsall.

Mr. O'Neil: It was mentioned that you have restrictions on the amount of classified people you hire because of budget. Do you so have restrictions on the amount of people you can hire under contract because of budget restrictions?

Mr. Morgan: Yes, we have a very well-defined salaries and wages budget. All people who receive their compensation through a government payroll are charged against the salaries and wages budget so you have a very severe restriction on the number of contract staff that can be hired.

Mr. Acting Chairman: Thank you. How does the committee wish me to proceed with this line of questioning? Do you prefer that I alternate between parties or take the names as I recognize their indication and willingness to speak?

Mr. Mackenzie: As long as you have noticed when they have asked to speak.

Hon. Mr. Elgie: Since we are discussing unclassified people on this vote, I think it is fair to say the majority of the unclassified people are my staff—Joanne DeLaurentis, Mrs. Bernice Sam, Mr. Chris Waddell and my secretary have been with me in various capacities and are not in another labour force in any sense of the word; there is a flexibility required.

Mr. Mackenzie: I suspect the head office vote is not the one where this would be the

biggest problem, but I am raising it as a general feeling—

Hon. Mr. Elgie: Just so we are clear that that's not an appropriate area, in my view, to deal with the issue—

Mr. Mackenzie: We could deal with it in each one of the votes if we wanted. I think if it is done once, hopefully we've made the point.

Mr. Acting Chairman: I will follow the procedures as used in the House and I will alternate between parties. Mr. O'Neil, did you want to speak?

Mr. O'Neil: I have no further questions on that first item.

Mr. T. P. Reid: I wonder if I can talk about a couple of policy matters? One of them is that I wish to associate myself with Mr. O'Neil and Mr. Mackenzie on their comments regarding the arbitration procedures and the Kelly report. We won't chew that over again, but I was quite disappointed in the report itself. I would agree that I think this is a matter that's been festering for some years and that something should be done in quite a hurry to cut down on the length of time that arbitration procedures take and the cost of them.

The minister will recall I wrote him a letter some months ago asking what had ever become of the Kelly report. I have a feeling about royal commissions and inquiries of this kind, that they seem to expand to fill the time needed for their completion and that sort of thing. It's my opinion, Mr. Minister, that in the current strike at Fort Frances between the woodworkers and the company one of the reasons for that strike having taken place and still taking place is the fact that many union members feel, and I think rightly so, the arbitration procedure is too lengthy a process; that while that process is going on the company is able to proceed the way it wishes while that arbitration is being heard, or in fact not heard.

I think part of the cause of the strike is partly frustration with the current procedures. I categorically feel that Mr. Kelly's recommendations, which seem to me to lead to a more legalistic approach and a lengthier procedure associated with that and certainly a more expensive one, is going to exacerbate the problem rather than solve it. This has already been gone over but I would strongly recommend to you that, in fact, your ministry, rather than waiting for another six months or a year to get everybody's comments on it, proceed in some way. I must say I appreciate that it's a complex problem. Perhaps more personnel are needed, perhaps some

kind of sub-arbitration procedure is required on a regional basis to deal with some of these problems.

The other thing I want to discuss briefly, and again I know it's been mentioned by previous speakers, is the first contract business. I have some first-hand knowledge of this. There was an incident in my riding some years ago that I think led to unnecessary tensions, hostility and bad feelings that to some extent still persist today. It seems to me that if a union is certified, if it goes through the procedures and receives the imprimatur—if that is the word—of the Ontario Labour Relations Board, then there should be some reasonable amount of time for the collective bargaining to take place.

I say this with some regret, because I think the less government gets into these things the better off we are, but I want to bring to your attention that another bugbear of mine is that particularly in small communities, in some cases one-industry communities, but in any small community when there is a first contract and it isn't settled it causes tensions not only between the union and the management that's involved, but it spreads throughout the whole community. It leads to all kinds of things that I'm sure the minister is aware of, that very seldom have any notice to the press other than perhaps the more violent confrontations that take place, but the impact on the community as a whole, and the impact on the families, the wives and the children of the people involved on both sides, becomes unbearable, and for whatever reasons both sides seem to get strongly dug in.

I don't think that we should be looking at a situation in labour-management relations today where it's a matter of who can beat the other one into the ground. The suggestion has been made that perhaps legislation along the lines of BC would be something that we could look at, but it seems to me that, having given it a reasonable run, I think quite frankly if first contract isn't arrived at by a newly certified union, to my mind it smacks somewhat of trying to break that union before it gets off the ground. I think if the employees had banded together for whatever reasons, obviously to better their situation, there should be some opportunity. If both sides try to batter each other to the ground, it obviously just leads to bad feelings that persist down the road and the thing is never solved. It continues throughout management-labour relations for untold years and has a deleterious effect on the whole community.

My problem with it, quite frankly, is that I prefer to see management and the unions

come to these kinds of agreements, but in first agreements I think a special case can be made for the minister and his ministry taking some position in effecting some kind of agreement on a first contract.

This leads me to the other bugbear, Mr. Chairman, and I'll be very brief. I might get out of line a little bit here, I wonder if the minister has any statistics on first contracts, as to how long and prolonged strikes have been when a first contract is involved, and how many of them there have been in the last number of years. I presume you don't have those figures immediately at hand, if you have them at all. I want to state to you that I have looked over the research programs that are being done by the 74 people seconded to their particular part of your ministry and I want to recommend again, if I may, that one of the items for research should be strikes in small towns or one-industry towns, to see what the total effect is on the community, on the economics, but particularly also on the mental health and well-being of that community and the individuals involved.

I don't want to try the chairman's patience, because I know that comes under a later vote, but I would leave that with you. Perhaps more research should be done, both on first contracts and the effect they have, and also on the matter of the effect strikes have on small and one-industry towns, because the effects are greater there. If you have a strike in Hamilton or Toronto or Thunder Bay there are other parts of the community to absorb the shocks and people can occupy themselves with other things. They can get other jobs if necessary, they have other things to do in a larger centre. But when it is the primary work place and you have such a division when you have a strike, the effects of a strike are much more horrendous, if I may use that word, on the people involved than they are in a larger centre where those shocks can be cushioned.

Mr. Acting Chairman: Mr. Reid, I am a very patient man but only to a certain limit.

Mr. T. P. Reid: My patience ran out before yours did, Mr. Chairman.

Mr. Acting Chairman: Mr. Minister, would you care to respond?

Hon. Mr. Elgie: Mr. Reid, you were here last night when we talked about the Kelly report, I believe, so you know most of my feelings on that. I know why the Kelly commission was set up. It was in response to the same concerns about the length and the cost of the arbitration procedure. We talked about the fact that it would be inappropriate not to

review a royal commissioner's report and to receive input on it from whatever source may be interested, and then to get on with trying to deal with the problem. I think we concur with that.

Mr. T. P. Reid: Haste is what we are looking for.

Hon. Mr. Elgie: We all have our own opinions on what haste means, I guess. Mr. Reid, you then made some comments about first-contract arbitration and you asked about some research on the length and number of strikes relating to first contracts.

You really have to break that down into two segments; those that can be identified as being due to the Rand formula and those that are related to the ability or lack of ability to impose a first contract. I spoke in detail earlier this morning about my feeling that we do have to review the whole situation with regard to the Rand formula.

I have also spent some time discussing first-contract arbitration and the pros and cons of it. Although I have asked for more recent data, it would appear that in British Columbia second contracts are much more difficult to achieve where a first contract is imposed. On the other hand, there is the feeling that with the ability to impose a first contract in the act there would be probably more settlements achieved because it was there. That's the balance that has to be weighed.

[11:15]

First of all, if there is an intrusion into the collective bargaining process by imposing a contract by arbitration the first time, why not the second, third or fourth? Secondly, the fact the second contracts in British Columbia appear to be harder to reach if the first is imposed, but on the other side the fact that perhaps many first contracts were negotiated freely because there was that section in the act. Those are the things I'm quite willing to look at. I can't say there will be a change but I'm quite happy to look at them.

I share your concern about the personal and family disruptions, as well as the community disruption, that comes from any contract conflict. I don't think you can limit it to just the first contracts.

Mr. T. P. Reid: No, not necessarily.

Hon. Mr. Elgie: I think our most recent effort in preventive mediation in the past month is in introducing a quality-of-working-life centre. Frankly, the hopes we have for that whole concept indicate our concern in that area as well. That's all I have to say, Mr. Chairman.

Mr. Acting Chairman: Thank you. I take it the Conservative members are relatively happy at this point in time so we'll turn to Mr. McClellan.

Mr. McClellan: One of the things I was most interested in, Mr. Minister, was your discussion about the handicapped employment program. Is that something that is being directed and financed out of ministry administration program or would that be more properly dealt with in another vote?

Hon. Mr. Elgie: That's in this vote, but the figures don't appear in this particular set of estimates because the program was established after the estimates were printed. If you want to deal with that this would be the place to deal with it.

Mr. McClellan: I really would. The issue of special job creation programs for injured workers and for the physically handicapped is something that has been raised by myself and by members on both sides of the opposition ranks since I was elected to this House in 1975.

The program you spoke of last night has been in force since April, 1978. Am I wrong?

Hon. Mr. Elgie: What was the date it started, Barbara? This is Ms. Barbara Earle who is the director of that affirmative action program.

Ms. Earle: In April of this year cabinet directed that the Ministry of Labour establish an affirmative action program directed toward the private sector to increase employment opportunities for the physically handicapped.

Mr. McClellan: What I'd like to ask, I suppose, is for a progress report. The bottom line in any kind of a job creation program is the number of people who are put in jobs.

I don't know if you were at the last estimates involving the Workmen's Compensation Board where we raised the issue about the need for a large-scale job creation program for injured and disabled workers with the compensation board. My colleague, Bob Mackenzie, has said we have come to the conclusion the only way to proceed is through a quota system. We started to get into that discussion with the compensation board and we were pointing to the British experience. The compensation board spokesman, before we could even get started on the debate said it wouldn't work, period. There was a kind of a stone wall barrier there. That kind of thing is very frustrating to deal with.

The other thing that was exceptionally frustrating to deal with when we were looking at the compensation board's performance in the area of job placement of injured workers was there were no records in all of that exquisitely documented material that the compensation board presented. The one thing they omitted to provide was the number of workers who had been through the vocational rehabilitation services branch program and the number of workers who had actually be placed on a job. That data simply wasn't there.

Hon. Mr. Elgie: Did you ask for it?

Mr. McClellan: Yes, we did; and I still haven't got it by the way. That's simply by way of preface to asking Ms. Earle if she has some indication of the number of workers who are being served through this program, and more important the number of people who have actually been placed in jobs since the program was initiated.

Ms. Earle: Maybe I could go through a couple of things, because there are a number of things involved in your remarks. First of all, our pilot project within the Ministry of Labour was one of the foundations out of which we have been developing our program. Perhaps I could give you some information about some of the things we have accomplished in that regard if that would be helpful.

Over the past period of time some of the things we have done have been to make the building at 400 University accessible by means of a ramp, and we have made the washrooms accessible on four floors within the building, on alternate floors. So that aspect has been dealt with and this has certainly increased the opportunity within the ministry for employment.

Another thing which we have been doing is getting involved with monitoring job competitions and working alongside people in personnel and with supervisors in recruitment. We are quite pleased with the numbers of people who have been hired to the ministry over that period of time.

Mr. McClellan: How many?

Ms. Earle: We haven't made any attempt, first of all, to identify people as physically handicapped at the time of hiring or subsequently, but we did a survey in the spring of this year of the success we had had. This was a telephone survey to the branches. We also based this on our own knowledge of handicapped people who had been hired within the ministry. We estimated that we had approximately a five per cent higher rate

of the people who had been hired during that period of time.

Hon. Mr. Elgie: What period of time was that?

Ms. Earle: Since the inception of the pilot project in March, 1977.

Mr. Mackenzie: Could you tell me how many that is in real numbers, because there has not been extended growth in the civil service?

Mr. McClellan: If you are starting from a base of zero, you see, five per cent could be five people.

Ms. Earle: That would be 15 or 16 people who have been hired within the ministry. We were interested in two things about these people. One of them was to know whether we were getting a broad variety of handicapped people within the ministry. We found that we had got blind, deaf, and mobility disabled, as well as people with hidden disabilities such as epilepsy or diabetes. So we felt we had achieved a fair range in that regard, and also a range in severity, so that there were people who had reasonably severe visible handicaps hired.

We were also interested in the level of positions to which people had been hired because we didn't want to see people just hired at the bottom. We did find that we had a range of positions including several of the officer categories as well as the clerical-secretarial kinds of positions which are often entry positions to the government.

Mr. McClellan: You are still talking about the Ministry of Labour.

Ms. Earle: Yes, I thought as a preparation I would tell you that we had been energetically pursuing our own program within the ministry. Since the time cabinet directed that we should establish the program, we have been developing the kind of initiative which we feel would be appropriate and helpful. We have been consulting with a variety of social agencies in the field so as to give them support in their efforts within the community. To date we have consulted with a wide variety of rehabilitation agencies and government programs and community-based groups, both within and outside of Toronto. Based on this, we will be increasingly involving ourselves with individual employer programs.

One of the problems in assessing the effectiveness of these programs has been that to date there has been no clear data base about the physically handicapped as to who they are, what their work force participation is. We're very pleased that the Ministry of Health is undertaking to establish a demo-

graphic base in this regard, which will help us over time to assess—

Mr. McClellan: When will that be available?

Ms. Earle: That is being undertaken now and will take a year and a half to two years to be completely available, but it will greatly enhance our ability to plan and evaluate within this area. We're very pleased to see that.

In terms of your questions about the quota system, we have been looking at the programs in other jurisdictions. I wouldn't wish to detract in any way from any of the programs that have been successful in helping handicapped people in other jurisdictions. One of the things we were interested to notice was how the quota system in Britain and in other countries in Europe has operated.

Basically, these programs grew out of the need to place a highly identifiable group of post-war veterans. Over time, as the handicapped population has become more diverse and less readily identifiable, the registration levels have dropped in Britain. By and large they're very pleased with their efforts and with their program, but their pursuit has been educational. They have used the quota as a door-opener and have been very interested in seeing the increasing independence of the handicapped population, and in looking not just entry level jobs but the whole spectrum.

We've been thinking of it in those terms. When we are speaking of affirmative action, we're speaking of the same door-opening approach to the employer; of going and saying: "Won't you look at the full spectrum of job opportunities? Won't you make comprehensive plans for policies in this area?" Does that cover your inquiry?

Mr. McClellan: That's helpful. I still think there's a need for—and I address my remarks here to the minister—a statutory framework that establishes as a matter of legal right access to jobs for injured workers or disabled workers. I don't have that much faith, frankly, in an affirmative action program that is based solely upon goodwill.

If we're ever going to be serious about providing sufficient jobs for injured and handicapped workers, we have to recognize that involves some basic structural changes to the kind of economy we have. We have an economy that functions to make a profit through maximized efficiency and through maximized production. Workers are allotted jobs on the basis of competition. They compete with one another for those jobs according to how they contribute to the efficiency, and therefore the production of a given oper-

ation. Injured workers and handicapped workers simply can't compete with able-bodied workers. That's a simple reality we have to acknowledge.

If we're going to be able to make spaces for handicapped workers within the economy, there have to be changes in the structure of the work place. Competition for jobs can't be based solely on the basis of somebody's ability to compete with able-bodied workers for a limited number of job spots on the basis of his or her contribution to maximum efficiency and maximum productivity. As we continue that system we continue to freeze out a whole population of people; that's why the handicapped don't get jobs, because they can't compete.

You have to deal with that in a program. You have to say that there have to be X number of jobs within both the public sector, and more important within the private sector, that are set aside for the disabled and the handicapped. As members of the community employers have an obligation to provide a fair share of jobs for people who are unable to compete on the basis of equality with people who don't suffer from those kinds of disadvantages.

[11:30]

Until we have that established in law as a principle and as a matter of right, we're not going to be able to address this problem; and it's an enormous problem. Those of us who represent industrial constituencies, or constituencies like mine where the vast majority of the people are employed in the construction trades, are dealing every single day with workers who have suffered injuries and are rendered superfluous. They are simply surplus people now in terms of our economy; they don't fit into the economy.

The construction worker who suffers injury to his back is just a lost man in terms of his ability to fit in anywhere. This is a guy who was working in a highly paid, highly skilled part of our economy, with full union protection and high salary in many cases.

Often a cement finisher can be earning \$25,000 or \$26,000 a year. When he wrecks his back, what happens to him? If he is lucky the only thing that happens to him is that with the help of the Workmen's Compensation Board he goes into the marginal labour market as a marginal worker and gets placed in some little—I don't like to use the word sweat-shop—factory that's making widgets at the minimum wage, or very close to the minimum wage. That's if he's really lucky; most of the time he's just out of luck, period.

The guy goes from the status of being a contributing, productive member of society

in a highly paid, well protected and relatively stable occupation to total unemployment, and if he's lucky a slot, on the basis of much instability in the marginal economy, as a marginal worker. So far that's the very best we've been able to do for people.

I don't think that goodwill is enough. I don't think it's ever been demonstrated that goodwill is enough. Government has to give leadership and recognize there are many thousands of people who because of accident or injury or birth disability are simply unable to compete. It is an enormous number of people. If you look at the numbers of people who are on the social assistance rolls in this province, many thousands of people are there by virtue of their unemployment. Their unemployment is related to a physical disability.

Those people can work if government shows leadership in transforming the economy so that it can accommodate people, not on the basis of competition but on the basis of personal growth. We need to be looking at the allocation of jobs not solely on the basis of ability to compete, but also on the basis of the maximum contribution a particular individual may have to make to the community.

Secondly, there needs to be public sector job creation programs for the physically handicapped and the physically disabled. There are many thousands of injured workers who are never going to be able to accept a relatively sophisticated job in the Ministry of Labour or in other senior levels of government work, but these are folks who have a contribution to make as security guards, as attendants and as general assistants in many offices. If government has the will and the wisdom to establish job creation programs to accommodate these kinds of folks and to give them stable employment that pays well and gives them dignity and a chance to return to full participation in society, then that full participation is based on work and the ability to work. But we establish brick walls and stone barriers that keep many thousands of people from full participation in society by virtue of injury or handicap.

I say again that it is one of the most urgent needs in our society, the need for government leadership in this area, because that's the only place it's going to come from. It has to be strong, it has to be legislated and it has to be aggressive. I'm happy to see, if I may say so with respect, that some baby steps are being taken in the sense of collecting a data base and starting to at least have a program that can be expanded and developed. I think we know what needs to be done. We

have seen what can be done in other jurisdictions. I would really urge you to look at giving this real priority and to move on as quickly as possible and to get into a full scale program that can bring people back to productive participation in society as quick as possible. We know how to do it—that what is so bloody awful, we know how to do it and we're not doing it.

Hon. Mr. Elgie: I certainly appreciate Mr. McClellan's remarks. I hope that with the initiation of this program he will get a feeling that we concur with the concerns he has. He may not think it's enough as a first step but surely an educational process has always made it better for any next step that may be required. I also feel that in our review of the proposed amendments to the Human Rights Code, the issue of the human rights of the disabled and legislation on that will have to be addressed. They too relate to the issue you raised here today. I'll be interested in being present when the report of the board is heard so that I can take part in that discussion with you in their presence at the time. Mr. Deputy Minister, you indicate you had some comments.

Mr. Armstrong: Mr. Minister, I was just going to refer, as you did, to the Life Task Force report and the need, in the view of that committee reviewing the code, to provide protection to the handicapped under the human rights code. That is something that is under active consideration.

The other point I was going to make and it's a gigantic and urgent problem and I don't think anybody would disagree with the emphasis you place on it—is on the quota system. You know the arguments. The danger of becoming too mechanistic about some of these things and sort of ghettoizing the handicapped and really forcing them into the menial job category, by virtue of employers grudgingly assigning them to those tasks because they have to meet a pre-established quota, has been a problem in some of the jurisdictions where the quota has been established.

I think this concern and apprehension has been felt and expressed by some of the handicapped groups themselves. They are somewhat ambivalent about being categorized that fashion and are concerned about that happening. As well, the quota system doesn't address itself to the equally important question of promotions, not simply getting employment but making sure there are opportunities to advance within the organization regardless of the physical or mental handicap but based on the person's ability to do the work. Therefore, I think one has

weigh the potential disadvantages of a mechanistic system.

Mr. McClellan: I have had a lot of discussions with representatives of handicapped organizations and people in the labour movement and people in other jurisdictions. I know some of the concerns about the quota system. One that you haven't mentioned is simply that there is a kind of a creaming process that takes place so that the principle of competition on the basis of efficiency continues to operate in the private sector and employers will take less-handicapped people as opposed to more-handicapped people.

I think that speaks again to the need for government leadership in the area of job creation withing government itself to demonstrate how you can structure a program that has opportunities for career advancement and for staff development of even the most severely handicapped people, and just show it can be done and give some real leadership to the private sector as well as establishing separate economies under public-private auspices that can accommodate the particular needs of some of the more severely handicapped folk.

I just have one final question. Since Mr. Armstrong referred to the human rights commission's report, may we go back to Ms. Earle to ask if one of the things that you're doing in your project is to monitor job competition employment advertising to get a sense of the extent to which employers are asking questions, as part of either their advertising or recruitment procedures, relating to the health of physical ability of candidates for employment, in particular, whether they're asking whether people have received workmen's compensation benefits? Is that part of the monitoring work that you're doing?

Ms. Earle: It would certainly seem to grow out of our own experience that it is an important area for the employer to look at, both in terms of what the procedures and what barriers those can constitute and also in terms of the important educational aspect, where people may not have, in fact, been interviewing handicapped in the past and may not really understand how they might cope with the job. The interview process itself is one of the most important ones.

Mr. McClellan: I think it's very important that you bring in an amendment to the code that prevents that kind of a prior discrimination against the handicapped. We look forward to receiving that and I think supporting that.

Mr. Armstrong: Just one other thing. You spoke about the desirability and need for the government to take a lead in this area. Just so we're not being accused of being too parochial in referring to our pilot project, you're aware of the initiative announced by the Chairman of Management Board (Mr. McCague) about the overall government program to encourage employment of the handicapped. Ms. Earle has details of that. That's not under our direct responsibility, but there's a rather substantial program now that's been launched by the Civil Service Commission which is under way, which you're aware of.

Hon. Mr. Elgie: With an interministerial committee, isn't it?

Mr. McClellan: Is that under the Chairman of Management Board's auspices? I could probably send you 1,000 candidates from my own riding, without exaggerating, just to speak to the need and the urgency of the need. So I just encourage you to move ahead on this as quickly as possible and give it priority and give it fight in cabinet for adequate funding. If there's one area where there should not be hiring constraints it's precisely in this area.

Mr. O'Neil: On the same question, you were talking about your approach to individual employers. What assistance do you have for an employer? Do you have pamphlets or booklets or things like that that you can hand out, or we could hand out to people to make them more aware of the program and how they could place people like this?

Ms. Earle: We are in the process of developing some materials. To date, we have a guidebook for employers which indicates to employers the important matters of building access, the places to which they could refer for clients who might come to apply for jobs, some of the agencies that supply on-the-job support, the physical accommodations and adaptation devices, the incentives, the training programs that are available to employers and the means by which they might access those. There is a realm of services and support systems available to the employer and we are attempting to integrate these and provide assistance to the employer in accessing these effectively.

Mr. O'Neil: Could you supply my office with a few of those and let me look at them?

Ms. Earle: We'd be happy to.

[11:45]

Mr. Bounsall: I might just say that an affirmative action program is better than no

program at all; but I agree with my colleague, Mr. McClellan, that we do need some sort of real governmental regulation or quota system to definitely encourage it. I would think it's just all too easy, when Ms. Earle or someone from the affirmative action program talks to employer under this program, which is simply one of encouragement, for them to think at the time and to say later, "There is nothing forcing us into this program. Is there any government law that requires us to do so?" That is a question which they have in their minds at the time and which they state among themselves thereafter, and no action takes place.

That is the problem with an affirmative action program. You set them up but you don't give the persons administering the program the tools to do the job properly. I can well imagine employers having these conversations after the no doubt quite good contact made by the people from the affirmative action program.

With respect to the quota system in Britain to which Ms. Earle referred, I took it from her remarks that it was working rather well. The quota system was used as the foot in the door with those employers in an attempt to do the type of thing which you are trying to do here with employers. But none the less, when the conversation is finished it is quite clear in employers' minds that although they haven't been pushed on a straight three per cent or what have you, there is a government law that requires that. If, as she describes, it is used as the foot in the door, they they are not saying, "You have 150 employees, your three per cent is so many."

They are working with them to encourage the employment of those people, but none the less when the person leaves it is not a case of, "There's no government law that requires us." The employer knows there is that three per cent goal for which to shoot, something which we don't have in Ontario, and the attitude, or those statements cannot be made after the person leaves.

Ms. Earle opened her remarks talking about the changes that were made at 400 University, the establishment of the ramps and washrooms and so on. When this is left purely to the encouragement of employers, I would think it would be quite a barrier to getting any affirmative action program started for hiring handicapped persons. Sometime early in the conversation you say, "You have to modify your buildings." That means direct bucks, direct capital costs, not just employment of a handicapped person as the opportunity arises. I would think that would be quite a barrier to getting handicapped people employed in the work force when the re-

working of their physical access is quid pro quo to their hiring anybody. I can see the job is an immense problem when that is one of the necessary things you must talk about, involving outlay of capital dollars right away.

My question, Ms. Earle, is that in contacting employers, surely you have run into that problem and therefore resistance from them? I would think it would be all too easy for them to say: "Yes, yes; we will co-operate in this affirmative action program and are anxious and willing to do so, but first, as you have outlined, Ms. Earle, we have to make these changes. We will be taking that up with our board of directors," and so on. Therefore nothing happens because the changes don't get made.

Ms. Earle: Maybe I could take the two things you raise separately, and mention again about the quotas. There are difficulties in transplanting programs that are working in other jurisdictions.

For example, when the quota system was introduced there was post-war sympathy. There has been an evolution of that particular program over time, which is working fairly well for them. On the other hand, when one looks deeply into the way that program is operating now, and one also looks at the contract compliance program, for example in the United States, what they really seem to be saying is that there is a need for goodwill, for co-operation and positive support, and that is indeed the approach underlying what they are trying to do, which is to provide support, to provide information. It is interesting that many times employers don't have full information, which brings me to the second point you were raising about building modifications.

The employer really has to look at it in the context of everything. There is provision, for example under both workmen's compensation and vocational rehabilitation, for assistance to the employer in conversion costs of certain kinds. There is provision to the employer in the area of training, which is a cost to the employer which would normally be borne by the employer with other employees. There are assists to the employer in these areas.

There is also the matter that the employer, rather than looking at isolated examples of handicapped people, looks at the whole problem as a total. The employer can see the costs to the community far more and can understand that by not dealing with the problem in a systematic way there are other costs, although they may be indirect.

I think that while we would like to see this matter looked at—and I'm sure it is

being looked at from a variety of perspectives across government—we don't feel it is insoluble in terms of our discussions with employers.

Mr. Bounsall: I appreciate your point that in Britain, when they brought in the quota, it was a psychologically proper time, because you had the very high profile war veterans problem there. I can quite see that. With the more subtle and less evident physical disabilities, one is, engaged in education on who is disabled and so on.

But none the less, they have that quota, which they can apply if need be with a recalcitrant employer. They're never in a position of saying they don't really have to do it; there is the quota system. I'm not at all surprised that the same sort of education job, particularly on the more subtly disabled, is required in those other jurisdictions.

It seems to me that unless one has something really backing one up one wouldn't be using it. The fact it's there to use, if necessary, perhaps in your very subtle way, reminds them of it. If we had a quota one would get a higher priority on the list of projects which the employers need to do than we have under the simple system of encouragement through affirmative action.

Have you had evidence, since your program started, of employers who used the capital funds available to them, as you mentioned from the Workmen's Compensation Board and other places, to modify their workplace?

Ms. Earle: Yes. There appears to be quite a bit of evidence of scattered employer activity and receptiveness; although perhaps not as much evidence of comprehensive planning on the part of the employer to use a whole spectrum of physically handicapped people in ways which promote their greater opportunity.

Many of the agencies and service systems and government programs are in touch with receptive groups of employers who phone them and who offer them job opportunities. Perhaps on the broader level, the total picture of the physically handicapped has not been brought before employers to encourage systematic planning and to bring in other employers who are not at this time involved.

Mr. Bounsall: Are you aware that government has assisted, either through the Workmen's Compensation Board or otherwise, with capital funds to employers who have said yes, we will, but we can't afford to bear the full cost of the physical changes required?

Ms. Earle: These generally are client-based, in that if a person requires an accessible

washroom or a ramp, these services have been provided in the past.

Mr. Bounsall: By whom?

Ms. Earle: By the Workmen's Compensation Board or rehabilitation services in reference to the needs of a particular client.

Hon. Mr. Elgie: Rehab and ComSoc.

Ms. Earle: Yes.

Mr. Bounsall: Funds have actually been expended. Could one in fact arrive at the figure in any given year for the amount of funds expended by ComSoc and WCB as a result of requests by employers in terms of changing the physical plant to accommodate a physically handicapped employee or employees?

Hon. Mr. Elgie: I don't have those figures, but I presume they are available.

Ms. Earle: Those figures would fall under their budget.

Mr. Wildman: Can those figures be brought together, along with the number of employees involved?

Ms. Earle: I would think so.

Mr. Bounsall: If that is not going to take up too much time, as I'm sure you're a very beleaguered office in terms of your efforts to get handicapped people employed, I would certainly be interested in them. I wish you luck in the program. I just wish you had more tools with which to do the job.

Mr. Acting Chairman: Mr. Wildman had a brief supplementary, I believe.

Mr. Wildman: If the ministry is willing to look at other expenditures in other jurisdictions, and is interested in looking at how injured workers and disabled people can be helped to gain a meaningful role in the work force and in our society, has it looked at methods used by other jurisdictions in co-ordinating all of the various agencies involved, for instance the vocational and physical rehabilitation programs of the Ministry of Community and Social Services and the Workmen's Compensation Board, along with the industrial sector, to try to put all of those things together so that when a group of people or individual requires vocational rehabilitation representatives of those various agencies and the potential employers are involved in planning how that can be brought about and then in implementing it together? Sometimes, as I've found it, Community and Social Services and the Workmen's Compensation Board are working at cross-purposes.

Mr. Armstrong: Perhaps Ms. Earle can speak to that. It may relate to the advisory council on the handicapped, that operates

under the social development policy field as I understand it.

Ms. Earle: There are a couple of aspects to what you said. One of them is the advisory council on the physically handicapped which is giving advice to the government in terms of feedback across Ontario from social agencies. In terms of our own program, we have been looking to our consultation process. We have been meeting with social agencies and we are beginning to meet with employers and trade unions to try to find out how we can work together to ensure that all the necessary pieces of the puzzle come together. We've begun to meet with other ministries of the government, with the federal government and with municipal governments, for those aspects where we will have to work together to try to lay out some initial terms of how we will do that to make sure it doesn't break down in the process of implementation.

Mr. Wildman: I would recommend to the minister that if he is looking at other jurisdictions in these days of détente and vodka-cola diplomacy, then perhaps he could look at the Cuban experience where they have involved situations with groups of disabled people working in factories with their counsellors and vocational rehabilitation taking place right in the factory rather than anything like the so-called sheltered workshops we have today. I understand that most of those have been eliminated in the Cuban experience.

Mr. Ruston: I had another matter which I think comes under main office. It had to do with a matter of policy of the ministry. It has been brought to my attention on occasion in some of the large industries in Windsor that people have worked as long as 36 hours without time off. That's the longest I've had drawn to my attention; but I've had 28 and 30 hours noted too.

Don't we have some regulations that control that? One of the people is even operating a lift truck. It seems to me that one of the worst things that could be allowed in an industry is for anybody to work those hours. Surely we have something to control that.

Hon. Mr. Elgie: I don't want you to think I'm putting you off. That comes under employment standards and Mr. Scott isn't here today. I can arrange to have him here tomorrow.

[12:00]

Mr. Ruston: I understand that; the reason I mentioned it is that a number of people have brought it to my attention. They thought it was a very dangerous situation

for anyone to be allowed to work those hours. It's like driving a transport truck. You are supposed to have so many hours on and then eight hours off—or driving a bus or something. It worried me when I heard about it. I didn't think it was possible.

Hon. Mr. Elgie: It's taking me back to my days on duty in the emergency department—48 hours on, 12 hours off; 36 hours on, 24 hours off.

Mr. Ruston: I imagine you might have snatched an hour in between.

Hon. Mr. Elgie: It depends which hospital.

Mr. Ruston: Maybe they do there too, I don't know.

Hon. Mr. Elgie: I think that's an item we can discuss under that vote when Mr. Scott is here.

Mr. Mackenzie: I thought I was next on the list. I am? Okay.

Mr. McClellan: Can we have some order, Mr. Chairman?

Mr. Mackenzie: I don't want to reopen all of this, but there are still a couple of things I want to know from Miss or Mrs. Earle. I don't know which it is.

Hon. Mr. Elgie: Ms.; there must be an easier word than Ms.

Mr. Mackenzie: There are two or three things I wanted to ask about, but specifically as far as your comments are concerned on the pilot program you are doing in the ministry, you tell us it achieved a five per cent hiring rate since March 1977, which means 15 or 16 people. I'd like to have some idea of what percentage you now have as a total of the work force in the area the pilot project is involved in. Is there any way we can measure what percentage or what number we had a year ago?

If that is not possible—because I understand you are just trying to get the demography of it all—the reason I want to know now is because I would very much like to take a look in the estimates a year from now to see exactly where we stand as compared to what you have today. That five per cent is 15 or 16 people, what percentage of the work force in that pilot area do you have that are handicapped? Is there any way we can measure that against, say, a year ago? What are the numbers?

Ms. Earle: I don't have figures of that kind at this time. I do hope to increase our ability over time to look at the whole work force within the Ministry of Labour. What we wanted to do, to begin with, was to understand within the capacity we had to hire—in other words within the number of vacancies

how many of those vacancies we were able to fill.

Mr. Mackenzie: Have you any absolute guarantee that we wouldn't have hired five per cent handicapped without the program?

Ms. Earle: We knew from our initial surveys within the ministry there were some physically handicapped people employed, but not to the degree we have been able to achieve. We have identified some.

It's a sensitive matter because many disabilities are hidden; you are working with people who have been employed within the ministry for some time who may have some mixed feelings about being approached by us in this way. We did have some contacts with individuals and we were able to be aware through personnel of the more visibly disabled. There were other groups of whom we were less aware.

To that extent, since there is no recording system for the wide variety of physical disabilities, our records are somewhat incomplete. But because we are interested in knowing how we are doing, we have attempted to know as clearly as we can.

Mr. Mackenzie: You know that you hired 15 or 16 people, five per cent; but you don't have any idea how many handicapped you have overall.

Ms. Earle: No.

Mr. Mackenzie: A five per cent hiring rate of 15 or 16 out of how many? I realize you would have to add to that to get a true figure, but what does it really amount to?

Ms. Earle: Out of the total size of the ministry? I'm sorry, I didn't bring those figures with me, but I can supply that to you later.

Hon. Mr. Elgie: How many people, in total, were hired in that period?

Ms. Earle: Oh I see. How many people in total were hired?

Mr. Mackenzie: And how many are in the ministry in total, in the pilot project area?

Ms. Earle: Out of the number hired, that would be under 200 people. Let me supply you with the figures rather than make a guess. I will get back to you later today.

Mr. Mackenzie: Okay. Let me tell you, like the rest of my colleagues I am pleased to see this going on, but you will forgive a little bit of a doubtful or cynical reaction to affirmative action programs.

That's not meant to be a criticism of it. Let the government should be taking the lead. It can take the lead and can do things. I strongly suspect the crunch is going to come when you get much further into the

private field, because that's where you are going to have problems. If we have come down hard on the quota deal, it didn't come easy. It has taken me three years to get to it. But like Ross, I have a great number in my riding whom I have talked to consistently.

I just don't think the argument of education is going to work. If I could give you one little example, I organized a plant back in 1955 in Windsor. I think I have mentioned it in the estimates before. Carsteel was the plant. It had one hell of an accident rate at that time. I can recall in one short period of some two or three weeks two young ladies losing a hand in punch presses that just weren't adequately safeguarded. As a result of the interest out of that I ended up at a seminar several months later in Windsor over the problem of handicapped in industry trying to find jobs. I just forget who all was involved but I know the UAW was. I was with the UAW at the time.

The big argument that we got—we had some ministry people in at that time too; I'm going back to 1956—was that we had an educational job to get organizations to accept these people. I remember that from 32 years ago. I remember it very clearly.

I remember it probably because of one suggestion that was made by a management person who was at that get-together that rocked me to this day. He suggested that while there had to be some incentives to hire some of these people—and that helped to lead to my final decision that you are not going to do it without some kind of an enforced quota system—he said, "Perhaps we haven't looked hard enough at the areas that these people might be able to help us."

This happened to be a plating plant this chap was involved in. I had got involved because we had organized the small plant. He suggested that maybe one of the things they could do with people who had lost arms and in effect had hooks on their arms, was use them to save some of their costs since it was easier for them to work pulling out some of the material they were plating in one of the vats. I don't know whether it was facetious or what, but all hell broke loose at that session.

However the main emphasis at that session was that we had to do an education job to get employers to take these kind of people.

That's my own personal experience, going back 32 years. I just simply don't think you are going to get anything done—you'll know

the plant when I tell you—and that's why I don't accept the ghettoizing.

I have heard some of the other arguments, some that Tim Armstrong mentioned. I have heard them all, and I have heard them in some cases from handicapped people. The crunch is going to come when you are dealing with the private sector. The fact is that if you are not going to be pretty forceful in requiring the hiring of these people, I just don't think all of the affirmative action programs, of which we have had a lot and which I don't knock, or all of the education, is going to do it.

Mr. Acting Chairman: Do you care to respond, Ms. Earle?

Ms. Earle: Yes. Affirmative action, as I see it, is a highly practical kind of an enterprise where people look specifically at the jobs with emphasis as to what physical requirements, in this case, are required to do the job. I think if an employer were to do that he would find that while some jobs in an enterprise require certain sensory or motor or similar capabilities, there is virtually no job in their organization that some person with some physical disability could not do. There is the capacity within any organization to accommodate the physically handicapped.

Beyond that they can look at the severely disabled, for whom I think a great concern exists amongst social agencies and amongst others. So the employer who is seeing the disabled as generally capable of all aspects of employment may take special steps to ensure that those with severe disabilities are accommodated.

I think if they look at the matter comprehensively and look at the job realistically and get involved in practical ways of exploring it, some results can be achieved.

Mr. Mackenzie: Ms. Earle, you don't have to convince any of us that could be the factor. The question of whether they will or not is an entirely different matter. I'm sorry, I just don't think saying "please" is going to work.

Mr. Bounsall: Further to some of this, could you tell me exactly how your affirmative action program and whom you will be approaching fits in with the program that was announced and is now going to be conducted by Management Board of Cabinet. Who is doing it? Who do we turn to to ask to see who is making the major contact with the private employers out there in our community? Is that fully under your program?

Ms. Earle: Yes, the Civil Service Commission will be co-ordinating a program of equal opportunity within government.

Mr. Bounsall: Just within government?

Ms. Earle: The handicapped employment program will be co-ordinating the program to the private sector.

Mr. Bounsall: We all have examples. I too, can provide a list of people who were in my office and of agencies that are frustrated by the lack of opportunity for jobs for themselves and the persons under their jurisdiction.

Let me ask you this in particular: You haven't been in operation all that long, but can you tell me how many employers you have contacted on a one-to-one basis? I assume it's got to be done basically in that milieu for anything much to be accomplished. How many private employers have you contacted with respect to their employment of the handicapped?

Ms. Earle: I was appointed on September 1. Our involvement prior to that was in the development of the design and the planning process that took place after cabinet's decision in April. Subsequent to September 1, our first priority has been to consult with those people who have been active in the field for many years so as to get an idea of their contacts with employers to date—

Mr. Bounsall: That's the social service agencies that have the problems?

Ms. Earle: Right—to get some idea of how we may support them in the future, what the picture is, what kinds of clients they are seeing, and the whole spectrum of support which may assist employers in conducting affirmative action programs. Over the next two or three months we will meet with employers, trade unions and a number of peripheral groups—not peripheral, that's not a good choice of words—groups, such as company doctors, nurses and insurance people who have an input and effect on employment possibilities for handicapped people.

Phasing in from the new year onwards, we will be establishing pilot projects with individual companies and contacting employers. We have distributed our guidebook to approximately 3,000 employers to date but have not begun work intensively with particular employers although we are well aware that many employers are already active in this field.

Mr. Bounsall: Do you have a target group of employers? How did you get your list of 3,000 employers? Is it a scattered approach? Or did you target certain employers who

ould be contacted first and develop your
ist from that?

Ms. Earle: Many employers have contacted us; so this has been in response to their interest. For that reason, as well as from the kinds of information I have from the social agencies about employer interest, there does appear to be a receptivity on the part of the employers.

Mr. Bounsall: But you don't have a particular target group of employers? You have been responding to their responses?

Ms. Earle: We have been developing our sense of target from our investigation of clients. One of the things we did this summer, for example, was a survey of blind and wheelchair users within Toronto, to look at the kinds of skill areas, the realistic kinds of employment requests they had and the things they wanted to do. Based on that, we have some ideas of the kinds of employers within the city who might be appropriate for these particular people. We have also been asking, in terms of the agencies, "What kinds of jobs are you really looking for? Are you getting them?" so that, when we make our approaches, we hope to make them with the knowledge of what is really needed.

[12:15]

Mr. Bounsall: So you really haven't yet decided that there is a group of employers who should be doing it. We know there must be all kinds of positions. As you have described, when you sit down and talk to them, there's virtually none that can't be filled by somebody with some handicap, however subtle it is. You've not really sat down and looked at a group of employers, or what would be known to you as tough employers in this area, and gone after them? You haven't had time to do that yet.

Ms. Earle: No, we haven't yet done that.

Mr. Bounsall: If you were given the name of a particular employer I feel you should be contacting in this regard, what would your response be?

Ms. Earle: We would contact the employer.

Mr. Bounsall: Okay, let me give you one. This refers to the remarks of the ghettoization. I would be interested in your reactions to how we've talked about the ghettoization. I don't think employers are interested in having a group of handicapped workers all working in one area, I don't think they're interested in that at all. I think they're interested, particularly with your work with them, in having them around the various areas of their employment. I don't see a ghettoization

emerging, a quota system or otherwise. I can see them wanting to fit the disabled person to the particular job. One question would be is that your feeling? We'll come back to that.

We have an employer in Windsor who, as soon as the Workmen's Compensation Board indicates light duty work, lets them go immediately. They refuse to look within their organization to find light duty work which those persons could do, of which there is much in evidence; which has been outlined to them both by myself and the union involved. Their response is we don't want to have a cadre here of semi-injured or semi-handicapped people.

The employer is the city of Windsor, particularly in its parks and public works areas. They insist, when that person returns, on putting them back on the back-hoe with a back injury; or putting them back on the snow-ploughs. It's been clearly pointed out, time and time again, that the person could in fact be quite gainfully and usefully employed in the full-time greenhouse areas, re-potting plants and so on and involved in that type of parks work program. They utterly refuse to do that, using that excuse. I would say that's an employer in my area it would be quite useful to work on, given their simple flat statement, well documented over the last several years, in terms of employment of their own back injury employees. There are light jobs around, they are scattered throughout the whole public works and parks department; yet they simply refuse to give any consideration of the job and of the person's disability to fill it.

Ms. Earle: Right.

Mr. Bounsall: So I suggest that to you as an area. I don't know whether that's widespread amongst municipal government employees.

Ms. Earle: I would appreciate it if you would send me that. If you will send me that I will follow up with the company and with the union, and with the Workmen's Compensation Board it would seem.

Mr. Bounsall: What about your general feeling about the ghettoization? I took that term to mean, when the deputy minister used it, that companies do not want to have a very identifiable group of disabled persons doing a particular kind of job. Has it been your experience that is what happens?

Ms. Earle: The key to that, from my point of view, is the whole question of attitude and who employers think the physically handicapped are. Employers who have not done so to date need to consider the handicapped person in the full diversity of abilities and

capabilities that person may possess and their wide range of individuality in their adjustment to their handicap. The fear for possible ghettoization arises out of the attitude that perhaps employers may have felt at times, that a handicapped person is not capable, without even seeing them—may not be capable of a number of responsibilities. Our goal in terms of not having ghettoization is to enlist the employer in realistically exploring what the capabilities are of any handicapped worker.

Mr. Bounsall: Right. Has it been, in your experience, a problem? Has there been an employer who in fact says yes, okay, and has taken a group of them and put them all on one job. On that job, they can be identified by other employees in the plant as that disabled group or that handicapped group. Has that in fact happened in your experience?

Ms. Earle: Not in terms in which I think you are describing it so much as in terms of lower level jobs perhaps. It is not a whole pool of handicapped people so much as the risk of their being assigned lower level jobs. As I say, I think we will gain more experience with the point you are making as time goes on.

Mr. Bounsall: I wouldn't think it would happen in any place of employment, for one thing, because of the diversity of the handicapped person you are wanting to place.

Ms. Earle: But what about the opportunity to advance and grow according to ability?

Mr. Bounsall: I recognize that to be a problem and one that you will be working on. Some of the studies in the past reveal that a handicapped person because he is so appreciative of the opportunity of the job, in fact puts out a tremendous amount of effort and is a very worthwhile employee in that job if you measure it in economic terms. One would hope that advancement would take care of itself.

I am concerned about ghettoization in terms of low salary or low wage classification. The people in my office are desperate for the self esteem that comes with a job, almost at any price. They do not want to be sitting around on a disability pension. They do not want to be continually between social agencies as they strive to survive economically.

Ms. Earle: Right. It would seem the answer in terms of what you have been saying lies in the provision of a real opportunity for employment, as well as, I'm sure, this

whole issue of a chance to develop, in fairness, in terms of what other people have.

Mr. Bounsall: That's right; a chance of a job and a chance to prove themselves, very much so.

Mr. McClellan: I would just like to pin two things down. What are the total number of staff and the total budget for your project?

Ms. Earle: The staff and budget for this year are being drawn from the current ministry expenditure. There are three complement positions allocated to the program: the co-ordinator, a professional staff member and a secretary.

Mr. McClellan: It would be useful to have a list of employers involved as it is developed. I think many of us are interested in monitoring the kinds of job opportunities that open up and to know the kinds of employers who indicate a willingness even to look at the program, let alone to hire. One of the concerns I have is a fear that we will have a repetition of what has happened with the Workmen's Compensation Board. We get employers who are operating in the marginal economy bringing themselves forward, seeking injured workers and disabled workers because they are shoestring operations—picture frame factories or iron ornament factories—little operations that are pretty marginal in terms of the regular economy which recruit from the marginal labour force. What I am interested in is jobs in auto, steel, manufacturing and the normal labour market and the normal economy. We just want to monitor that and hopefully we will be proven wrong.

Hon. Mr. Elgie: I really don't have much to add to what Ms. Earle has explained so very well. I don't think we mentioned it, Mr. Bounsall, but I am sure you already know that the building code does provide that any new buildings have to have access. Secondly, like Mr. Mackenzie who indicated that he came to his decisions about the quota system after several years of personal review and consideration—

Mr. Mackenzie: I should correct that. It was 22 years of it, not 32 years of it.

Hon. Mr. Elgie: I don't want to get into your ability to add. I hope you don't have problems in other areas that way too.

I hope members accept our position that affirmative action programs are to be reviewed in the same way Mr. Mackenzie and others reviewed the questions in their own minds. If they are not working then we have to decide where we go from there, it is just that simple.

Item 1 agreed to.

Item 2, financial services, agreed to.

On item 3, supply and office services:

Mr. Mackenzie: I don't want to get into it in every case, but just to get one or two other examples, what is the number of contract employees under this particular vote? Can you tell us? I notice you have 10 district officer managers and 75 clerical and technical staff.

Mr. Armstrong: I think you have that information, Mr. Webster.

Mr. Webster: There are no contract employees under this item.

Item 3 agreed to.

On item 4, personnel services:

Mr. O'Neil: In my opening remarks I asked the minister as to the specific steps that had been taken to ensure that Ontario can train sufficient personnel to provide for our needs in the occupational health and safety field, and whether we're still importing experts in these fields.

Mr. Armstrong: Just so I understand your question, your question is what facilities exist to make sure that the appropriate technical personnel are capable of recruitment. Is that the thrust of the question?

Mr. O'Neil: Capable of recruitment, but also are you going to be able to hire the people? In other words, there were some major concerns that were expressed by the previous minister and by people in this committee in the clause by clause, as to whether or not when you put this occupational health and safety bill to work you are going to have these people to go out into the factories and the work places to make sure that things are going—

Mr. Armstrong: I think Dr. May will have a good deal to say about that under his vote. Personnel services is one of the administrative support functions that makes up the job descriptions and makes sure jobs are properly classified and assists in the interview process.

Mr. O'Neil: I'll leave that question until later.

Mr. Armstrong: I think it would be more appropriately dealt with by Dr. May when he comes to his item.

Mr. Mackenzie: I take it these are different sets of figures, the regular competitions—I'm talking now of the new hirings—and on the next page, the summer student recruitment program. Am I to take it that we hired 377 people out of 5,306 applicants?

Mr. Armstrong: That is my understanding,

Mr. Mackenzie: Are the jobs that good or are we that desperate in terms of people looking for work?

Mr. Armstrong: The answer to that is subjective. It may be such an attractive ministry to work in that we simply are attracting this number of applicants.

Mr. Mackenzie: It would scare the hell out of me that that many people are looking for the jobs and only 377 get them.

Mr. Armstrong: On that question let me say on the so-called STIR program, the student training in industrial relations, that this has been a very popular program.

As you know, persons who are interested in the field of industrial relations, of whom there are many, have an opportunity to go with trade unions, with employers and so on. This has attracted a very high number of interested, well trained persons, so I imagine there is a goodly number of applications for the STIR program, where there are a limited number of available positions.

[12:30]

Mr. Mackenzie: There are three separate student programs, right? We've hired 68 regular—am I reading it right? Fifty-five out of 799 on the STIR program?

Mr. Armstrong: Actually, there are more than that. In the Experience '78 program, which is the program funded by the youth secretariat, there are a number of programs. Student and personnel, 80 hired. The Ontario Human Rights Commission hired 20.

Mr. Mackenzie: But the total was 224, that's all that really concerns me.

Mr. Armstrong: Yes, but you said there were three programs. There are actually 11 program areas—

Mr. Mackenzie: There are three headings given in the description.

Mr. Armstrong: —utilizing these students in various activities; I can give you a description of the type of work they were doing.

Mr. Mackenzie: What I really wanted to know was how many of the people hired in the four classifications you've used in the descriptive process—the regular competitions on page 7, the regular summer students, the STIR and the Experience '77 on page 8—how many were male and how many were female? Can you also tell me how many of the 15 or 16 handicapped people hired were in each of those categories?

Mr. Armstrong: I don't have that information before me. John or Gordon, do you have that? That can be obtained.

Mr. Mackenzie: That shouldn't be difficult to obtain.

Mr. Armstrong: We can certainly provide you with that information.

Mr. Acting Chairman: Could I get some indication whether there will be much discussion on items 6, 7, 8, and 9?

Mr. Mackenzie: I have some on 6. We haven't finished 4 yet, I gather; although I'm finished with 4.

Mr. Bounsall: I have some on 5 and a question on 4.

Mr. Acting Chairman: It's now past 12:30 so in view of the fact there will be considerable discussion on the other items under vote 2301, we'll adjourn the meeting and it will stand adjourned until 8 o'clock tomorrow night.

The committee adjourned at 12:33 p.m.

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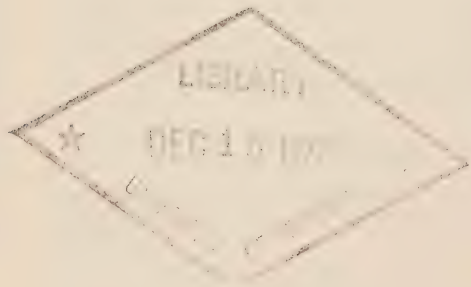
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Legislature of Ontario Debates

Official Report (Hansard)
Daily Edition

Resources Development Committee
Estimates, Ministry of Labour



Second Session, 31st Parliament
Thursday, November 23, 1978

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, NOVEMBER 23, 1978

The committee met at 8:15 p.m.

ESTIMATES, MINISTRY OF LABOUR

(continued)

On vote 2301, ministry administration program; item 4, personnel services:

Hon. Mr. Elgie: Mr. Chairman, first of all, I want to welcome you back, it is great to have you here.

Mr. Chairman: Thank you. Great holiday.

Hon. Mr. Elgie: There were two areas of questioning in the area of finances and the handicapped program. I believe that Mr. Morgan and Ms. Earle have some answers to these questions. I wonder if it would be proper to ask them to come up and respond? Mr. Morgan and Ms. Earle have some responses to questions asked last night.

Mr. Chairman: Very well. Go ahead.

Mr. Morgan: I am John Morgan, executive director of administration. In the personnel area there was a question raised regarding the male/female breakdown of the regular competitions. In the material that was handed out, it was indicated that during the 1977-78 fiscal year there were 377 regular competitions. There were 225 males and 152 females hired to make up that total. A companion question concerned the male/female breakdown of the Experience '77 students. There were 224 students hired; 78 males and 146 females.

Hon. Mr. Elgie: Reverse discrimination, is that it?

Mr. Morgan: Yes.

Hon. Mr. Elgie: Touché.

Mr. Mackenzie: Just making up for the point.

Mr. Morgan: There were some questions in regard to the contract staff. We indicated we had 21 full-time contract staff in the employment of the ministry; of these 21, 10 were female and 11 were male. A companion question was, how many of these positions had been rolled over? In other words, how many of these people had worked on one project at a time when that project was completed, were put on another. The answer to that is one person, a clerical person.

Mr. Mackenzie: May I stop you for just a minute? Is that the total contract staff in the Ministry of Labour?

Mr. Morgan: No, I was going to go on to that in a minute. Maybe I could do that now.

In addition to the 21 full-time contract staff, we had 35 from GO Temporary. These would be mainly typists filling in for those on pregnancy leave, sickness leave and so forth. In addition, there are 14 crown employees. Under the Labour Relations Act, we have 14 persons appointed for special boards, agencies and commissions. These are mainly the vice-chairman and the side members.

Back in the area of the contract staff, the final point I have to make, unless there are further questions, is with regard to the benefits. I could go into the benefits item by item, but the contract staff more or less gets benefits comparable to those of the classified staff, except in the areas of pensions and group insurance. I could go into each benefit if you would like. That was a point that was raised and I thought I might clarify it for you.

Mr. Mackenzie: What about the sick leave?

Mr. Morgan: In the area of sick leave, the contract staff get credit for one and one quarter days per month. They get the same for vacations.

Ms. Bryden: What is the total complement this year compared to last year?

Mr. Morgan: We currently have 1,198. I believe last year we had 54 less than that, whatever that is.

Ms. Bryden: That's complement, not—

Mr. Morgan: That's full-time classified staff.

Ms. Bryden: What is your complement?

Mr. Morgan: Full-time classified staff, excluding the contract and the GO Temp.

Ms. Bryden: And where has the increase of 54 people mainly occurred?

Mr. Morgan: The 54 were primarily in occupational health and safety and in human rights.

Ms. Bryden: Was occupational health and safety in there full-time last year or is it new? I know it was switched over.

Mr. Morgan: This was a complement increment to occupational health and safety. It was in the ministry the previous year, yes. This was an increment.

Mr. Bounsall: Those figures seem relatively small. However, we'd like to see all contract employment end, if possible.

With respect to that person rolled over, why, when it became evident—and it must have, some time before the end of that person's contract—that that contract would need to be continued or renewed, wasn't consideration given to putting that person on permanent staff?

Secondly, if some of this contract employment is to take care of the vacation and sick provisions which occur on a regular basis, why cannot there be some permanent positions granted that will take care of what would be a fairly predictable sick fill-in requirement?

Mr. Morgan: We should differentiate at the outset between GO Temporary, who are people for short-term employment, most of whom don't wish to work full-time, and the contract staff.

With regard to the one person who was rolled over, in order to handle the Experience '77 programs we bring contract staff in. When they finish with the student program we try to locate them permanently in the Ontario government or in other employment.

We took one of the persons and put him in the labour market information unit on a contract basis. It's quite likely that individual will eventually find permanent employment with the ministry or with some other part of the Ontario government.

Mr. Wildman: I have two short questions. I want to ensure that the GO Temps you're talking about are indeed temporary. I know of one particular case in the Ministry of Government Services where a so-called GO Temp worked for three years for the Ministry of Government Services. You don't have any situations like that in your ministry?

Mr. Morgan: Not to my knowledge.

Mr. Wildman: Okay. There was only one person rolled over, as you said. Of the others you mentioned, the other 50 or whatever the figure was—

Mr. Morgan: That was 21, I believe.

Mr. Wildman: Okay. Were any of those laid off and then rehired at some later date, rather than rolled over, that is having a new contract given immediately at the end of one contract? Do you know that?

Mr. Morgan: Just looking at the names and their positions, I would say no. I think I

could say with a large degree of assurance that the answer is no.

Mr. Mackenzie: I have a very quick question. I don't know what a crown employee is. Would you tell me?

Mr. Morgan: Yes. It's an employee who's hired under the authority of a statute other than the Public Service Act. In the case of our crown employees, they are under the Labour Relations Act.

Mr. Mackenzie: What kinds of jobs would be involved?

Mr. Morgan: The vice-chairman and the side members.

Hon. Mr. Elgie: I hope that some of the contract people in my office will stay a long time, Bob.

Mr. Mackenzie: I think any move to end up with less contract and more full-time—

Mr. Bounsall: Do we have Ms. Earle here to answer questions that arise?

Mr. Mackenzie: Just think of the protection they have when we take over the government. They don't have to worry about their contract.

Hon. Mr. Earle: They can just relax.

Mr. J. Reed: I would just like to ask if "complement" means actual in terms of number of employees?

Hon. Mr. Elgie: "Complement" means full-time.

Mr. J. Reed: Is complement the awarded number in a given area? It does not necessarily mean the actual number who are employed at any given time?

Mr. Armstrong: That's right. In any given time there will be some number of the complement positions which are not filled because of resignations or vacancies for other reasons.

Mr. J. A. Taylor: That doesn't include contract people?

Mr. Armstrong: No.

Mr. J. Reed: So when the government says it has reduced the civil servants by 4,000, it means it has reduced possibly from the complement but not necessarily from the actual?

Mr. J. A. Taylor: It becomes a numbers game.

Mr. Wildman: We are not in Culture and Recreation.

Mr. J. Reed: No, I think the member is right. We are trying to relate reality to government statements—that's really what I'm trying to get at; the relationship, if there is any.

Mr. Armstrong: So far as the Ministry of Labour is concerned there has not been

reduction in complement; rather there's been an increase. What the interpretation overall is for government you would have to ask one of the central agencies, but we've had an increase.

Mr. J. Reed: So you've had an increase in complement but not necessarily an increase in actual?

Mr. Armstrong: As a matter of fact, we've had an increase in both. Our authorized complement at the moment is 1,198 and the numbers that are actually filled at any given time fluctuate somewhat below that. Our vacancy rate, John, varies between—what? Two, three, four per cent at any given time?

Ms. Earle: I had some information to provide about some of the questions which have been asked about the successes of the handicapped employment program in its pilot project within the Ministry of Labour. I have in particular the estimate of the number of persons hired within the Ministry of Labour as well as some additional information to put this into the context of the kinds of activities we found necessary within the ministry in order to achieve that result. Specifically those were the kinds of building access arrangements which we found it necessary to make—the washroom renovations that we did on four of the floors within the University which involved the installing of enlarged stalls and grab-bars, lowering of curbs and the ramp outside of the building to make the accessibility complete.

We also had conducted a job analysis within the ministry to identify some of the skills that were required on a sensory-motor dexterity level to accomplish the ministry positions. We found when we began there was a limited number of applications to the ministry, so one of our efforts was to contact more handicapped people by means of outreach to the various agencies and to try to stimulate the numbers of qualified applicants the ministry was receiving.

As I told you, I think, we monitored the job competitions because we found the involvement in actual recruitment was extremely important in the whole area of education and in actually finding the results that people were able to see the person as qualified.

[30]
You asked in particular the number of new hires to the ministry over the time since the pilot project had begun, and the number of recruits was 377. Our estimate, as I think I told you, was not complete in as far as no attempt is made to label some-

one as being physically handicapped on our forms or during our recruitment process.

We kept close touch with personnel. We kept track of the number of recruits to the ministry. We did a telephone survey of the supervisors and checked the records of recruits against the dates of hire, and we kept touch with people who had been applying to the ministry because we had copies of their applications and sat in on the interviews. So our figures are an estimate rather than an absolute statistical figure. We estimated that we have five per cent recruitment to the ministry over that period of time or approximately 18 people.

Mr. Mackenzie: Did you say 18 or 15 or 16 when we were—

Ms. Earle: I said yesterday I didn't have the figures with me; I have checked the figures in the meantime.

Mr. Bounsall: On the recruitment, did you find that quite a number had already applied? Or now that you've got into the affirmative action program on the handicapped, did you have to go out and solicit applications? Did you have very few on file?

Ms. Earle: Yes, we found that we did. I think it is characteristic. When people have not in the past seen an employer as particularly receptive or there has been a word-of-mouth exchange among people saying they're working at that ministry, we found we did have to make it known through various of the agencies and groups that we were interested in seeing more handicapped applicants.

Mr. Bounsall: Would that be one of the services you'd have to do on an ongoing basis community by community: keep a listing of employers as you get to them in your Outreach who will be willing to hire handicapped people? Is that one of your programs that you'll have to do on ongoing basis?

Ms. Earle: Yes. To encourage the employer to recognize that a positive action is required on their part to make it known that they are receptive. And that there are sources within the community of people who are interested in work.

Mr. Bounsall: But community by community, you'd almost have to be a repository. I would think there would have to be a list somewhere that contained the names of employers also who were willing—so that the agencies are circulated with that group. Do you anticipate that when the program gets more under way, that will be a listing by type of disability by a particular employer? A

company might say, "I'll take a chance on some epileptics for a while." Do you expect that sort of response? Or would you expect the employers—

Ms. Earle: The impression we've had to date is that certain employers are involved already with certain of the various disabled groups. We are hoping to increase the exchange between agencies about employers who are receptive and between handicapped people about work. Within communities we hope to increase the support systems available to employers who may want to accept more than one handicapped.

Mr. Bounsall: Do you anticipate finding, or have you found, it's a big problem to convince an employer who is taking one particular kind of disabled or handicapped person to expand his horizons to take in other classifications of handicapped people? Not that you necessarily classify them, but have you found that to be a problem, or anticipate that to be a problem?

Ms. Earle: I would have to wait on that for a greater length of time to pass. From the feedback we have had from the social agencies there would be no reason to assume an employer would not be equally interested in a variety of different disabilities, but perhaps out of custom may have had a relationship with one particular agency.

Mr. Mackenzie: I have one final thing to ask, I was looking for it a year ago and I can't find it. I talked with the previous minister about the number of safety and health inspectors we were going to need. What has been the change in the complement in terms of inspectors? There was talk about the need of 50 or 80 new ones a year. I am just wondering what we actually ended up with.

Dr. May: We have actually had a total increase in complement of 27 people in the last year.

Mr. Mackenzie: Are most of these inspectors?

Dr. May: No, most of these are in the technological group and in the health engineering section.

Mr. Mackenzie: We haven't seen the growth in the number of inspectors that was needed, then?

Dr. May: No.

Mr. Mackenzie: Mandatory committees shouldn't really mean that great an increase in the number of inspectors needed either, then?

Dr. May: We anticipate it will need a few, probably in the order of about 10 or a dozen.

Mr. Wildman: I just have one short question for Ms. Earle.

Mr. Chairman: Real short?

Mr. Wildman: You know my short questions.

Mr. Chairman: I know. They are very short.

Mr. J. A. Taylor: Mr. Chairman, I hate to interrupt here but I just want you to know and put on the record that I left Bud Germa and he said I had full authority to speak on his behalf in the estimates of the Ministry of Labour.

Mr. Chairman: I can't accept that.

Mr. J. A. Taylor: Mr. Chairman, the only reason I have been silent is because I have been trying to think of something outrageous.

Mr. Chairman: Mr. Taylor, I must assure you that Mr. Germa is not recognized as a member of this committee. Mr. Wildman.

Mr. Wildman: In contacting the various agencies, as part of Outreach, in order to try to attract applications from disabled people, did the agencies you contacted involve the Ministry of Community and Social Services, vocational rehab and physical rehab? Is that one of them that you contacted?

Ms. Earle: Yes, we phoned a wide variety of different agencies over the period of time.

Mr. Wildman: One of the others, of course, would be the Workmen's Compensation Board.

Ms. Earle: The Workmen's Compensation Board was one, yes. We contacted a variety of different agencies.

Mr. Wildman: Yesterday I asked a question regarding the fact that those two agencies appear from time to time, at least from my observation, to be working at cross-purposes in dealing with particular cases. I asked what co-ordination there was and you mentioned there is a council or a committee discussing this. Is that correct?

Ms. Earle: There are several initiatives to bring greater co-ordination within the field of rehabilitation.

Mr. Wildman: What is your role in that?

Ms. Earle: Our role in that will be to relate to the agencies as a support to the employer. Our client will be the employer and our initiative will be to ensure the employer has the necessary support, referral, job adaptation, building access and all the other services which would be helpful to the employer. To that extent, we would necessarily have discussions with social agencies which may be representing one disability or be it

a particular area in relation to those employers.

Mr. Wildman: But the thrust of this co-ordination is coming from elsewhere, not from the Ministry of Labour? Is that right or fair to say?

Ms. Earle: We would be interested in co-ordinating it from the point of view of the employer. Other aspects will be co-ordinated from other areas.

Mr. Bounsall: I have my one small other area on this vote and it is not connected with the handicapped.

Mr. Chairman: Is it under vote 2301, item 4?

Mr. Bounsall: It sure is.

Mr. Chairman: Personnel services?

Mr. Bounsall: Sure is.

Mr. Chairman: Very good. Go ahead, Mr. Bounsall.

Mr. Bounsall: This is on the summer student recruitment program and the Experience '77 program for this coming year. I was disappointed in the number of Experience '77 students allotted to the ministry to carry out your Experience '77 programs and to a certain extent with the type of program that was being run. There were some obvious areas overlooked.

Can you tell me what new areas over and above the Experience '77 areas covered in 1977 you have applied for for Experience '78? Those applications must be well processed along by now and plans in the ministry laid for those Experience '78 submissions. What areas, different from what were in the Experience '77 program, have you applied for for Experience '78?

Mr. Armstrong: I think we may be getting our years mixed up. First of all, we are talking in these estimates about the Experience '78 program. The applications that will be made will be for the Experience '79 program. The director of personnel is not with us.

Mr. Bounsall: I got my years wrong. You are quite right. What's happening for 1979?

Mr. Armstrong: My understanding is that we have not yet received requests, Mr. Morgan, for applications for Experience '79. Is that correct?

Mr. Morgan: At this moment I don't know. I really can't answer that.

Mr. Bounsall: You mean you haven't received requests for your program submissions?

Mr. Armstrong: We have not received requests for the program submissions to my knowledge.

Mr. Bounsall: Do you have any idea what new programs you might be wanting to have Experience '79 students in?

Mr. Armstrong: Do you have the information with respect to Experience '78 programs? I can review those for you and perhaps you can tell me which ones you think we should be concerned with that were not covered in 1978.

Mr. Bounsall: Let me ask another one then. I'm fairly familiar with the list of Experience '78 programs which you ran. Here again I may be out on the years, but some time ago, one year or two years ago, you ran rather a good backup program in construction inspection, which was subsequently dropped. I'm quite interested in this new bill coming back in its hoped-for form, with more inspections, therefore, being involved. Are you planning for this coming year to push very hard for additional students for inspection in all of the many-faceted areas that you will be inspecting?

Mr. Armstrong: As you will remember from last year's estimates, Mr. Cleverdon spoke to this question, and he will be with us on his vote. I think he candidly admitted that one of the reasons he was not able to carry on with the Experience '76 program at that time in construction was that as the Experience rates are the minimum wage rates, it was very difficult to attract the students to that kind of job. Therefore, that program was regrettably dropped. I think it was a good program.

Mr. Wildman: That indicates that there should be an increase in the minimum wage.

Mr. Bounsall: Or an increase in the wage paid for that program. It is an excellent service.

Mr. Armstrong: I think you will find in Hansard that was the reason he said he was forced to drop the program. I think he is very interested in reviving it but he can perhaps speak to that when we get to his vote.

Mr. Bounsall: Are the ministry and the minister pushing for those programs to be revived? If the problem is in getting students into them because of the rather specialized and technical nature and the backgrounds of the students wanted for the program, are they pushing for a higher wage to be paid for some of those programs in the occupational health area, particularly that one?

Hon. Mr. Elgie: My only knowledge to date, I have to confess, is that I know there has been great praise with regard to the 1976

program, as you mentioned and as Keith Cleverdon has mentioned. I can't honestly say it's a specific matter that I have directed my attention to at the moment. In view of the praise that has been given to the program, I think it is an item we do have to put our minds to.

Mr. Bounsall: That's a commitment, I take it.

Hon. Mr. Elgie: I think you heard what I said.

Mr. Bounsall: Well, then I take it as a commitment.

Item 4 agreed to.
[8:45]

On item 5, information services:

Mr. Bounsall: I have two or three unrelated questions in this area. One relates to the audio-visual material prepared in the course of the year. As a leadoff, may I ask, did the information services branch prepare the explanatory material booklet which we have?

Mr. Armstrong: That is my understanding, yes.

Mr. Bounsall: It is your understanding. I may say it certainly has a lot of detail in it, but it is not as readable as I have seen come out in former years and from other ministries. One might draw their attention to that. It is not as readable in terms of getting the hidden material out of it as it has been in other years.

Hon. Mr. Elgie: Do you mean in terms of volume or the type of material or the way it is laid out?

Mr. Bounsall: The presentation of the material is rather disappointed and rather wordy. I don't know whether there are in-ministry terms used, but there are various parts in it where I have been completely thrown by what is meant in the sentence. As I come across them, I'll point them out to you, Mr. Minister.

What type of aids were the audio-visual aids prepared for the occupational health and safety division, assisting the several branches? Was that an aid in training the occupational health and safety inspectors? Just what sort of an aid was that? Was it one which they took out and showed, or which was used primarily in their education? You also had a special videotape presentation on mining health and safety for seminar and training purposes. That is clear, although I am not sure what is meant by "illustrating the role of the ministry inspectors in achieving self-compliance." There is one of the phrases on which I am not sure this explanatory material

is very explanatory. Of whom are you achieving the self-compliance in that mining health and safety videotape?

Hon. Mr. Elgie: I think that means getting them to do their job properly.

Mrs. Campbell: Why don't you say it?

Mr. Chairman: Sounds better this way.

Dr. May: The audio-visual tapes put together related to each of the six branches within the division, really for the purpose of sending these out around the province to certain defined areas where they could be used as a sort of introduction to the activities of occupational health and safety right throughout the division. They weren't primarily intended for use to train the inspectors.

We also acquired some, from outside sources, which were specific to special problems, with the idea of using these in exactly the same fashion, rather than producing our own, because it is a highly expensive business to produce these. We have purchased some for use which will be sent around the province for training purposes, and may also be used for the training of our own people.

Mr. Bounsall: You said for training purposes. As you were saying it, that was registering with me as training of your own inspectors. You then said they may be used for training your own staff. Who else are you training with these audio-visuals?

Dr. May: The groups out in industry. If they say, "What sort of activities and programs can we expect the industrial health and safety division to offer?" then the answer is in these.

Mr. Bounsall: These are both management and union groups when you go into a particular plant?

Dr. May: That's right, or they could be sent out for use outside the Toronto area.

Mr. Bounsall: Okay, on that same topic, you hoped in your initiatives by the end of the year to introduce a new publishing and exhibits program for the occupational health and safety division. You must be well along the way in that initiative of publishing and exhibits of programs in occupational health and safety; just what is involved in that?

Dr. May: This is physical display of equipment, photographs of processes, hazards and so on, which to the best of my knowledge we have had four opportunities to display at special professional meetings and so on. Recently, at a meeting in relation to a respiratory disease program, we had an exhibit relating to occupational respiratory disease.

Mr. Bounsall: So that the new initiative planned for the 1978-79 year in terms of publishing and exhibits is virtually complete?

Dr. May: It is an ongoing one. We have change the makeup for each particular audience which it is going to be presented. One might be for a mining group; another one might be for a group of physicians; another one might be for a group more interested in one particular type of hazard. It is a demonstration of equipment used; it might be protective equipment, analytical equipment and so on. We have one for our laboratory program, one for radiation protection. It depends on what the need and the group to be served.

Mr. Bounsall: Thank you on that point. The other point, Mr. Chairman, and this is fully directed at the minister.

In your opening remarks, Mr. Minister, you mentioned what was a rather interesting figure and one which put the man-days lost due to strikes in their proper perspective. The man-days lost due to strikes was only one quarter of one per cent of the total available working time, which indicates that there has not been much time lost by strikes in the province and that your conciliation and mediation services branch is doing the good job which they have always done, in spite of some troublesome areas, like the general strike in the meat packing area which would accumulate a certain amount of this time.

Since the information services branch invites 30 of your speeches in the course of the year, why isn't that branch doing more to publicize the excellent work which the conciliation and mediation services branch is doing in avoiding strikes and the minuscule number of man-days that are lost due to legal work stoppages in this province? Because that is an impressively small figure.

Hon. Mr. Elgie: I think it is, and I have referred to it many times in speeches that I have given on various occasions. Certainly it is well understood and well known in the industry by management and labour. What you are really asking is, "Are there any other publications, other than my speeches and the fact that it is known in the industry?" and I can't answer that for you at the moment.

Mr. Bounsall: You are not doing a very good job with the public, and surely it is one of the functions of the information services branch to publicize the work of the ministry and the small numbers of man-days lost.

Mr. Chairman: A little more recognition should be given to the ministry for its excellent performance.

Mr. Bounsall: Yes; and to the conciliation and mediation services branch, in avoiding strikes.

Mr. Wildman: It might be an idea to publicize it among your cabinet and caucus colleagues as well—

Mr. Chairman: We're well aware of it. We don't like to boast too often, though.

Mr. Wildman: —the small number of days lost through strikes in this province.

Mr. Chairman: Mr. Mackenzie?

Hon. Mr. Elgie: Did you finish yet, Mr. Bounsall? I can't really emphasize it more than I have and assure you that when I am out at the various meetings, speaking to industry or labour or other groups, I am asked those questions and I continually refer to the low number of man-days lost in this province due to work stoppages.

If you suggest that we should make better use of that information, I would like some suggestions. In what way? I speak about it whenever I can. What other media might you be thinking of? What other occasions or methods?

Mr. Bounsall: There are various programs on television and so on with which your ministry and the Workmen's Compensation Board are associated, in which they publicize some of the work that is done and the continuing urgings to make the work place safer. It seems to me that, with the general public out there thinking a lot of the wealth of the province and a lot of man-days are lost due to strikes, and considering the excellent record which you have, perhaps you might even consider working into some of your TV presentations some of these very basic facts.

Hon. Mr. Elgie: The last time I recall was about six weeks ago when Joe Cote on his Saturday night CBC show asked me this very question, and that was my response. If you are suggesting we should go out and seek TV interviews to publicize this, that's something I will have to think about. Certainly there is no attempt not to disclose it, I will tell you that with all certainty.

Mr. J. A. Taylor: On this very subject, I would think that the members of the Legislature, particularly the New Democrats, should publicize this very widely in the newsletters to their constituents. They should applaud the government in the House for the high calibre of mediation and settlement instead of getting into TV commercials.

Hon. Mr. Elgie: I share your concern. There seems to be a perception out there that we have a very bad work stoppage situation in this province.

Mr. Wildman: The conventional wisdom is that we're vying with Italy for the highest number of work stoppages.

Hon. Mr. Elgie: There was something in the paper a week ago mentioning how high we were in terms of work stoppages. I found that hard to understand.

Mr. Chairman: Relating to Canada or Ontario? I think this is extremely important. We're concerned about Ontario.

Mr. J. Reed: We have either the highest or the lowest in Ontario.

Mr. Bounsall: I have the averages before me. Ontario has ranked considerably less than Canada as a whole. Bearing in mind that that takes in the work stoppages of federal employees and the problems that their management board has had in coming to grips with decent labour relations at the federal government level. Ontario seems to be much better. Instead of just waiting to be asked a question on it, you and your staff should be indicating that the labour situation is not that way in the province of Ontario and taking pains to point that out.

Hon. Mr. Elgie: That certainly puts it in perspective.

Mr. Chairman: We've wandered off the beaten path here.

Hon. Mr. Elgie: I take every opportunity I can to stress the point that you've brought now. You're suggesting we should do more and that is something we will look at.

Mr. Mackenzie: I have a query about the news releases. I take it they're not just for the minister. They talk about 35 news releases and 30 speeches. Is it general practice in the government that the ministry you're responsible for takes the responsibility for that or is it a personal staff arrangement as a rule?

Mr. Armstrong: No, the distribution is done by information services to the media and to the press gallery in the normal process of distribution.

Mr. Mackenzie: The preparation of them, and the work on them?

Mr. Armstrong: Yes.

Mr. Bounsall: I have just one question again on the publications of which you have a list in the explanatory materials. On the report on the equal pay and equal opportunity conference, for example, how widely distributed are those rather important papers?

Do they at least get to all the full depository libraries in Ontario? On such an important topic as equal pay and the whole problem of women's pay and women's position in this declining economy, that kind of material is important in particular. How is that being disseminated? Is it at least going to the full depository and how much beyond that is being disseminated?

Mr. Armstrong: Marnie Clarke was responsible for the organization of that conference and the instructions issued to information services were issued by Ms. Clarke. She left the room just as you were commencing to ask that question, but I'm sure she'll be able to answer it. Somebody has gone to get her and we'll get that answer for you.

Mr. Bounsall: Could we have that when she returns?

Mr. Armstrong: Yes.

[9:00]

Mrs. Campbell: When we get to equal pay, which is exactly where we stopped, has anyone done any further work on the ministry's attempt in that area? What came out of the ministry earlier on, in my view, was a disaster and I wondered if somebody else had taken a look at that particular report.

Hon. Mr. Elgie: Ms. Clarke, would you mind coming up to the microphone? There have been two questions, one from Mr. Bounsall wanting to know the extent of the dissemination of information about the equal pay seminar that was held back in January, and Mrs. Campbell will put her question to you directly.

Ms. Clarke: The equal pay reports were, first of all, disseminated to all the participants, so some went to the Americans, some to the Canadians and some went to Britain. Then they were sent to libraries around the province. We had many requests for the equal pay report. That was sent out to all the people who did request the report. We sent them to a lot of researchers. We sent some to the universities, some to college women's advisers, people of that sort.

Hon. Mr. Elgie: Roughly how many went out?

Ms. Clarke: I'd have to look up the number in my book, I'm sorry. I would estimate 500 to 700.

Mr. Bounsall: Are you satisfied with the dissemination or are there other areas you see where that material could be used and could be disseminated?

Ms. Clarke: I very strongly take the position that if people ask for material they are going to read it and they are going to use it

and since publications today are very expensive, I really like to use that approach. We no longer send out indiscriminate mailings. We may send material to universities and specific libraries which we know have collections and so on, but we are not just sending out material to people to throw in their baskets.

Mr. J. Reed: I wish the Minister of Agriculture and Food (Mr. W. Newman) would like that attitude.

Mr. Bounsall: It at least goes to all the all depository libraries?

Ms. Clarke: Oh yes, all our material does.

Mr. J. A. Taylor: I'd like to ask a supplementary question, Mr. Chairman. Is there any cost-benefit feedback you would get in terms of that?

Ms. Clarke: No.

Mr. J. A. Taylor: It's very difficult, I suppose, to judge.

Ms. Clarke: It would be impossible to judge the effect of the reports. We do know they have been used as the basis of papers at universities—

Mr. J. A. Taylor: I appreciate the academic aspects.

Ms. Clarke: —and to present briefs. We are expecting briefs in the Ministry of Labour from organizations this fall and I'm sure they are going to be using a lot of the data in this study.

Mr. J. A. Taylor: You may get a lot of back.

Ms. Clarke: Yes.

Mrs. Campbell: I think the reports to which reference has been made are not referable to the report that was made by the ministry about 18 months ago or so. That the report I felt was pretty disastrous. I wondered if there had been any new look on this matter in the ministry itself since that report was prepared for the former minister.

Ms. Clarke: Because equal value legislation depends on adequate job evaluation schemes, the work we have been doing is trying to find out if there is such a one. One of the problems we're having is that even the equal Employment Opportunity Commission in the United States, whom we have contacted fairly often on this, is finding that any of the so-called popular job-evaluation systems are biased themselves, so that even applying them we've got problems. We are trying to work on guidelines for good job-evaluation systems but we have to deal with people who have set up systems which

they defend mightily and which, in the opinion of some people in the EEOC in the States, have built-in biases. We are still working on that and co-operating with the EEOC in Washington, keeping in close touch with it.

Also, at the federal government level, people in Treasury Board and in the human rights commission are working at adapting job-evaluation systems. I understand the human rights commission has hired two people whom it feels are unbiased and good job evaluators to examine the system, to try to find out the best one so they can implement equal value legislation federally. The Treasury Board is working on the internal program and is trying to adapt a system of job evaluation which it can use across all the occupational groups, which is the way they are divided in the federal government. I think we're going to be able to learn a lot from that kind of experience too.

Mrs. Campbell: I'm glad the federal government is so helpful.

Ms. Clarke: Why not?

Mr. Chairman: Touché.

Mrs. Campbell: The first time I've heard of them being helpful in the House.

Item 5 agreed to.

On item 6, analysis, research and planning:

Mr. J. A. Taylor: There's quite an increase there.

Mr. Mackenzie: There are a few questions on this one that—

Mr. Chairman: Very few?

Mr. Mackenzie: —I'd like to ask, starting on page 17. At the bottom of the page, as part of the developing labour market information data base during 1977-78, substantial effort went into developing unemployment and job vacancy data for use in ongoing monitoring of labour market conditions. What have we got in the way of data? What information is available? I presume this would cover things like plant closures, the number of persons involved, the periods of time. What can you tell us that the information is showing? What do we know about layoffs and the extent of it? What kind of data are we gathering?

Mr. Swartz: The specific data which we have on layoffs are data which come into the ministry under the employment standards legislation. These are the data which are reported, plant closures or layoff situations, according to the Employment Standards Act. In addition, the employment adjustment service obtains information through its own officers and through the co-operative work which

it does with the similar functions carried out by the federal commission of employment and immigration.

The layoff data we have are limited in their coverage to those firms and those situations outlined under the employment standards legislation. Consequently the data we possess are not universal. We do not know what the total number of layoffs or closures are. What we do when we get the information is follow up on it to determine the extent to which these layoffs are permanent, the extent to which what is indicated initially as a plant closure is a permanent closure or a temporary closure.

The information is used by the employment adjustment service in attempting to effect better use of labour and to assist in the transition of these individuals back into a state of employment.

We don't publish this information on a regular basis. It is available to anyone who seeks it. It's primarily used internally, within the ministry. Our reason for not publishing it is due to the fact that because of the nature of the statistical data, we can't tell the extent to which it is representative or non-representative. Therefore, we cannot evaluate whether or not this constitutes a trend or an economic indicator or anything else.

We don't devote specific resources within the research branch to the surveying of this material, to the gathering of this kind of information. Does that cover your question on the layoffs?

Mr. Mackenzie: It does, but it begs more questions than it answers, really. Where data are limited, where it only comes under the employment standards, we don't know the total layoffs. What percentage of the layoffs do we know? What's the follow up on them? What kind of research are we doing, inasmuch as we don't know whether or not it indicates an economic trend in the province according to what you tell me. What do we know about future employment standards or necessities?

I've referred many times to the kind of regional planning done in some countries. It would appear to me that our information, the substantial effort, is not very complete.

Mr. Swartz: We don't view information on layoffs as the best or most precise form of economic indicator. What we try to do is use it as part of the overall process, but it's very much a residual indicator.

Our key indicator in terms of how the labour market is performing is the net level of employment. If we look at employment patterns, we find we have been having more jobs created than people being laid off

and we have had a net increase in the labour force, which has demonstrated a fairly substantial growth.

In general labour market forecasting, our work is being done through the labour market information and analysis unit, which is doing several projects. If you'd like, I can go through what it is we're trying to do in general.

Mr. Mackenzie: Just to shortcut it a bit, what percentage are we catching? You say we don't catch everybody who is laid off. What percentage are we catching and what kind of followup do we do on that? If we're only looking at the people who are in jobs, I would presume that in a province like Ontario we're going to have more jobs or we're really going to be in trouble.

The question as I see it is not to look at the jobs we've created or the additional jobs, but to look at the increasing number of people who are unemployed. What kind of information have we got? What kind of programs can we lay out that are going to look at that? I think that is a key economic indicator. If the total number of jobs is going down in this province we're in real trouble. I would expect, even in tough times, that there's going to be an increase in actual number of people working. But it's when unemployment increases as well that I get concerned. What's happening to those people?

Hon. Mr. Elgie: You'd be better comparing job creation as opposed to plant closures and so forth.

Mr. Swartz: Our basic figures indicate that layoffs haven't resulted in a net decline in employment. Going over our most recent records, of a four-year period covering 1974 to 1977, the net increase in employment was 362,000. That takes into account both jobs lost because of plant closures and new jobs created as a result of expansions. On average, we would be looking at about 116,000 per year.

We do look very carefully at the records which we have on layoffs and analyse where the layoffs are coming from. We have examined 584 cases of known permanent or indefinite layoffs involving 25 or more workers during the period April 1974 to March 1978. These cases covered 62,010 employees. These data show that, on the average, 15,502 employees per year were affected by layoffs throughout the province. But I don't know, and I have no way of knowing without doing total surveys of all employees or all employers, what proportion of total layoffs in the province this represents. I can give you a breakdown of these cases just briefly.

These cases are primarily in manufacturing. Of 584 cases, 492 are in the manufacturing sector and that constitutes 46,000 of the 62,000 employees.

Mr. Mackenzie: Can I stop you for just a minute? Does that cover the people on page 18, where you talk about a program having been developed which produces more detailed estimates of unemployment than are available from the labour force survey?

Mr. Swartz: Yes, this partly covers those; in addition, that in-depth information is obtained by a co-operative work we do with the Canada Employment and Immigration Commission. We run the unemployment insurance data, which are given to us on a confidential basis, so that we can see what the situation is on a local level. The Unemployment Insurance Commission is reluctant to have those data released publicly but does allow us to use them for internal purposes. They find they have some collection problems and some inaccuracies in those data at a local level. The data are collected on an Unemployment Insurance Commission office basis, but what we really want and need is community-level information. Frequently this is not produced. We try to disaggregate them so that we can see where the greatest problem areas are.

[9:15]

Mr. Mackenzie: For example, at the risk of oversimplification, is the information being produced automatically in a way that you know where you have skilled tradesmen such as tool and die makers and welders, or where you are running into a surplus in a specific group of workers in the province, although you realize some of them move, or where you have a real problem with semi-skilled or unskilled workers as against skilled workers?

Mr. Swartz: We developed some data for the paper that was presented at the Skills for Jobs conference, indicating what were the areas of critical occupational shortages and what were some of the potential surplus areas on a broad occupational basis for a limited number of skilled occupations.

This is one of the functions that come under the mandate of the labour market information and analysis unit. If I can, I will give you an indication of one of the things we are doing in this regard. We are attempting to do some projections of highly qualified manpower requirements for Ontario through to 1985 to include roughly 60 occupations. We are doing our first go-through on those; this does not cover the skilled trades, because we have done some work on the skilled

trades in the Skills for Jobs conference, and we are building up on that.

Mr. Mackenzie: Forgive me again, because you are giving me more than I can absorb at once if you don't stop for a minute.

What I want to know is, what are you doing with that information in terms of some positive action? At what stage does that information go to the Ministry of Industry and Tourism or to areas where we may be looking at development? Is there some feed to say, "Hey, you've got a problem in this part of the province; there are all kinds of people available. What are you doing in terms of plant locating?" How is the information used? It is one thing to gather it and classify it, but how is it used?

Mr. Swartz: The labour market information and analysis unit is a central co-ordinating body which exists to have one organization trying to develop this information. It is provided to the other ministries which are vitally concerned; these include the Ministry of Northern Affairs, the Ministry of Industry and Tourism, the Ministry of Treasury and Economics, the Ministry of Intergovernmental Affairs, the Ministry of Colleges and Universities and the Ministry of Education.

It is done partly through the Ontario manpower co-ordinating committee, which is the information dissemination channel, and partly through the working-level arrangements that have been made to establish the labour market information and analysis unit. It should be understood by members of the committee that approximately half the resources that go into this central unit are provided by other ministries, either in terms of money for us to hire staff or in terms of people being seconded to that function from other ministries. So there are direct tie-ins there, and those tie-ins are translated into the data which are then given to the program people in the appropriate ministries.

Mr. Mackenzie: Mr. Minister, supposing we wanted the data on the layoffs and job vacancies; are they published somehow, or can we get hold of them?

Hon. Mr. Elgie: I would have to ask Mr. Swartz, because I honestly don't know.

Mr. Swartz: As I indicated earlier, the information on layoffs is not published on a routine basis, but it is available. Members of your research staff have been down to our offices to obtain the information. We are quite willing to make that available to anyone. Media people have been in looking at those records as well.

Information on job vacancies is not as readily available, because it is extremely

difficult information to obtain. The primary source for job vacancy information has been the federal government's job vacancy survey, which unfortunately—and this ministry, as well as other ministries of this government, has been fighting this action—is one of the items that has been cut in the most recent federal government cutback. We do not have a replacement for that survey tool and we don't have as good information as was yielded by that instrument.

Mr. Mackenzie: Have we ever thought of doing it ourselves?

Mr. Campbell: Heaven forbid.

Mr. Swartz: I would like to have the resources to do it. It's an extremely complicated and expensive task and one which currently we do not have the resources to promote. What we are trying to do now is develop a methodology for projecting demand, predominantly initially in this methodological statement, for community college graduates by program and college in areas, and to have that methodology utilized by the colleges and people in the region so that they know in advance what's going to be needed to tie into the planning and production process, the educating process, of the people in the colleges.

But we have no ongoing research program now to examine the overall question of vacancies in the province and particularly the question of where specific vacancies are located and the duration of those vacancies. The vacancy issue is something, as has been shown by the job vacancy survey, that changes so rapidly in given areas that there is some reason to accept the federal contention that even a massive survey of this kind of information is only of limited value.

Hon. Mr. Elgie: Am I correct, sir, in my recollection of the Skills for Jobs conference in that there seemed to be a consensus among all the people at that conference that information like this would be most valuable at the local community level?

Mr. Swartz: Yes, that was really the strongly expressed feeling of both the labour and management people who spoke at the Skills for Jobs conference and who gave us their feedback following the conference. It was felt this is really needed now in terms of providing employment opportunities and filling vacant positions and for the longer term to enable us, in setting up our training priorities and developing our educational systems, to provide for the manpower needs that are emerging. With a limited number of people engaged in this activity, our primary role is to provide the tools so that

people at the local level can do this job and do it reasonably well.

Mr. Mackenzie: Have we found anything in the detailed estimates on unemployment that is different from the federal data we were getting before?

Dr. Siddiqui: At the provincial level, the data is the same. What we do at the supplemental level is not available from federal sources.

Mr. Mackenzie: What are you doing differently?

Dr. Siddiqui: Oh, I assumed your question was related to the labour market information data. In that one, there are essentially two activities we are undertaking at the present time. One is the conversion of the UIC data into estimates of unemployed at the UIC district office level. That is done by establishing a relationship at the provincial level and then generating the data. That's the detailed information we have in that area and that's not comparable to any other existing data source.

Mr. Mackenzie: Essentially, that is breaking it down by areas.

Mr. Swartz: At the aggregate provincial level, it would be the same data as the federal government possesses.

Dr. Siddiqui: Which is from the labour force survey.

Mr. Mackenzie: Changing it a bit, what studies or research have we done on the wage gap between men and women?

Dr. Siddiqui: I don't think we have undertaken any specific studies in that area.

Mr. Swartz: We do have some information on that. I don't know if I have it here. I think Marnie Clarke might have it because I know we have prepared some information on the wage gap between men and women. If you'll just give me a second I'll look, but I'm almost sure I don't have it with me. I have a briefcase full of information and I just can't remember all the numbers all the time.

Mr. Mackenzie: I took it from the second column on page 18, but it has been brought to my attention that the data you have are on women in the Ontario public service. I'm wondering if that data did anything in terms of the difference in salaries between men and women. I wish we had something much more than that.

Ms. Burak: I can give you figures for the Ontario public service. Basically, the news is that the wage gap has fluctuated a bit over a four-year period, but it has pretty well stayed around the 71 per cent mark.

Mr. Mackenzie: No basic improvement.

Ms. Burak: Not really, no.

Mr. Mackenzie: Is it in fact worse in the last year?

Ms. Burak: No, it has been fluctuating. It was down at the end of fiscal 1978, but it rose again this September, virtually to what it was the year before. It is something on which we are holding steady, whereas in the private sector it appears to be widening.

Mr. Bounsall: So you have to run like blazes just to keep up in terms of the gap.

Ms. Burak: That's right.

Mr. Bounsall: So a lot of attention needs to be paid to this area.

Hon. Mr. Elgie: Any factors causing that, Rita?

Ms. Burak: Within the Ontario public service?

Hon. Mr. Elgie: Yes.

Ms. Burak: As everybody knows, there has been a bit of stagnation in terms of constraints. There are fewer opportunities today for women to change jobs and hence get into the higher categories than there may have been several years ago. We think it is a pretty good thing that we are holding steady instead of dropping.

Mr. Mackenzie: Is this information available?

Ms. Burak: Oh, yes.

Mr. Mackenzie: That is available to us if we want to see it?

Ms. Burak: Yes, it is published in our annual report.

Mr. Chairman: Ms. Bryden, do you have a question?

Ms. Bryden: I just wanted to throw in the 1971 census figures.

Mr. Chairman: We cannot throw in a census that old. That was seven years ago.

Ms. Bryden: It showed 58 per cent female employees as a percentage of male employees at that time in Ontario, for full time employees for the whole sector. There was almost a 40 per cent differential. There was over a 40 per cent differential.

Mr. J. A. Taylor: That's 1971?

Ms. Bryden: That's 1971 census, yes.

Mr. J. A. Taylor: Forty per cent differential. That's shocking, isn't it?

Ms. Bryden: I don't think it has improved very much since then.

Mr. Bounsall: A supplementary in this area, Mr. Chairman: You refer in the ex-

planatory data to a pilot study in the Ministry of Labour. Has that been completed and are those figures published?

Ms. Burak: The pilot study was an attempt to improve our evaluation techniques in terms of the impact the program is having overall. The pilot study is completed and will be published virtually in its entirety in our next annual report, which we hope to have ready for tabling very soon.

Mr. Bounsall: Can you tell us about it?

Ms. Burak: Yes. In the past, in our annual reports, we have been providing data which are really snapshot pictures of what the occupational and salary distribution of men and women in the service is at the end of each fiscal year. To try to get a more sensitive view of what is happening in terms of occupational changes, we have done an analysis which looks at the changes which have occurred from 1969 to 1970, before the program started and after the program started, and counts up the numbers of occupational movements that have occurred to see if there was any improvement.

We found in this pilot study that there was a very definite increase in movement in the right direction for women after the program began, but we are doing further research to rule out any extra program effects that might have caused that, although I suspect we will find the program was quite beneficial and brought that about. The numbers on the pilot were very small, so we are very cautious about the results and we are going to extend it so we will have larger numbers to deal with and perhaps get a better picture.

[9:30]

Mr. Mackenzie: Mr. Minister, we have obviously had some pilot projects. We had a women's year program as I understand it a couple of years ago. We have just now clearly heard that in four years we have marked time, at best, in the wage differential. I know all the emphasis has been put on equal pay for work of equal value. Are you satisfied with what's happening in this whole question of the wage differential between men and women in the province?

Hon. Mr. Elgie: I think clearly we can't be; and if Ms. Clarke were here, she'd tell you that she's going to be evaluating her data, and we'll have to then decide what the next step is to try to change it.

Mr. Mackenzie: Do you have anything in mind as to the next step?

Hon. Mr. Elgie: There are several areas—

Mr. Mackenzie: I'm not trying to be nasty. I'm just saying nothing has changed after four years.

Hon. Mr. Elgie: We'll have to identify any reasons for the failure to change or improve the gap and then think of things like contract compliance and that sort of thing—

Ms. Bryden: We've done some contract compliance—

Hon. Mr. Elgie: That will probably be one of several areas that we'll have to think of in terms of what Ms. Clarke and Ms. Burak identify to us. But if you're asking me whether we are going to bring it in, I don't know that. We'll discuss that when the evaluation is complete.

Mr. Bounsall: We've heard they've already identified—

Hon. Mr. Elgie: What does the smile mean?

Mr. Mackenzie: Slightly cynical.

Mr. Bounsall: We've heard here already that they've identified some of the factors. The general restraint program has caused less mobility and therefore less opportunity within the ministry for women to advance. In this critical time where that is happening it's more than ever important that opportunities be given for the advancement of women within the staff categories and to equalize this pay.

I think we're entering a very critical period, not just within government, but right across Ontario, in terms of this whole equalization which, because of the non-mobility now, any advance is in danger of being reversed. I would hope that more research facilities can be granted to this endeavour, if we need any more research on it, and more emphasis can be put on this very important area.

Hon. Mr. Elgie: Ms. Burak has some further comments.

Ms. Burak: I was going to say that, while the wage gap is holding steady, there have been some improvements in occupational distribution. There have been more women moving into the professional module and into the administrative module. I suppose it will take time for that to show up in long-term trends.

The improvements that have occurred tend to get lost. When you're talking about a service as large as Ontario, with 67,000 people, a few hundred improvements here and there tend to get buried. I don't think it's true to say that we haven't had any improvement. I think we have. I suppose you'll be talking to that—

Mr. Mackenzie: I would suggest to the people who are involved in this and to the minister, inasmuch as he's here, that there is one very obvious area that you could do something about very quickly.

We have a salary range, if I remember correctly, of \$12,000 to \$15,000 for secretaries or legislative assistants to the members in this House, but we have a maximum of \$11,000 for constituency workers, who in many cases are doing exactly the same thing in the constituency office. There is a considerable gap there for people, at least in my office, doing exactly the same kind of work. In most cases they are women—not in all cases, but in most cases.

Mr. Bounsall: As a matter of fact, it's often a tougher job, because they're subjected to the whims of anyone who walks in off the street.

Mr. Mackenzie: I understand there has been resistance from the Management Board of Cabinet to making the proper change.

Hon. Mr. Elgie: Yes, they're out on the front line.

Mr. Bounsall: That's right.

Mr. Mackenzie: I would think it's an obvious area, if we were going to have some equality, that you should be taking a look at as well.

Mr. Bounsall: Or some payment on the basis of value.

Ms. Burak: I don't know whether this is the time to get into it, but we have made some improvements in terms of the secretarial classifications, with the removal of the rug-ranking element of their job classifications throughout the government. That's in the process of being implemented.

The Civil Service Commission, once the new evaluation system is determined by the Ontario Public Service Grievance Board, will be looking at a complete overhaul of all the bargaining unit standards. They have agreed to make the office services category a priority. I think there will be some improvement in their classification situation.

Mr. Bounsall: Are you saying that in the whole women crown employees' sector there has been an improvement? How many women are classified to be in the upper categories? How many are there eligible to be there?

Ms. Burak: I have all that data at my place. But in the annual report, which was published in June, we showed some increases in the upper salary levels—women making \$23,000 and over. There has been a slight improvement there. There has been another slight improvement in the salary categories between \$13,000 and \$19,000, which shows

that women are moving into some of the intermediate positions; so there's hope in the long term that they will be moving up. In the report we are going to be tabling soon, I hope there is another slight improvement. So they are moving up gradually.

Mr. Chairman: Mrs. Campbell, please.

Mrs. Campbell: Yes, following this and the discussion—

Mr. J. A. Taylor: On a point of order, Mr. Chairman and Mrs. Campbell, if you will hear with me—

Mrs. Campbell: I'm sorry; you did have—

Mr. J. A. Taylor: I am going to accede to you but, on a point of order, I am just wondering how much of this comes under vote 2303, because it's a very interesting vote.

Mr. Chairman: Well, we are, Mr. Taylor, on vote 2301, item 6.

Mr. J. A. Taylor: I appreciate that.

Mr. Chairman: We are two votes behind.

Mr. J. A. Taylor: I appreciate that, but I was wondering if the subject matter that we are dealing with would be more appropriate under that vote. If it is not—

Mr. Mackenzie: It's right in the research formation—

Mr. Chairman: I am sure that when we reach vote 2303, Mr. Taylor, there will be no further discussion. It will go automatically.

Mr. J. A. Taylor: You can't guarantee that.

Mr. Chairman: At least I am hoping it will.

Mr. J. A. Taylor: You can't guarantee that, Mr. Chairman. Mr. Germa, for whom I am substituting, is here now—

Mr. Chairman: That was unofficial, Mr. Taylor.

Mr. J. A. Taylor: He asked specifically that I raise that point.

Mr. Bounsall: You are reverting to character now that he has arrived.

Mr. J. A. Taylor: He will never arrive.

Mrs. Campbell: I wonder, if you are looking at this material, whether you can tell me how many women in the upper echelons on type.

Ms. Burak: I'm afraid I couldn't tell you that, Mrs. Campbell; I don't know.

Mrs. Campbell: This is one of the things that has always bothered me, and I have given it as very forceful advice to anyone who wants to be a career woman in government: "Don't tell anybody you can type, because you will never get ahead." Am I right?

Ms. Burak: Mrs. Campbell, I must tell you that I started in the Ontario government as a secretary.

Mrs. Campbell: I can't believe it. You are the exception that proves the rule.

Ms. Burak: No. There are a lot more of us, I still can.

Mr. Chairman: Thirty-five or 40 words a minute perhaps?

Mr. Bounsall: Just before we leave the research section under the women's program—

Mrs. Campbell: But she is just going to get some information for us.

Ms. Burak: I thought that was coming under the other vote.

Mrs. Campbell: No, please get the information.

Mr. Chairman: We have plenty of time for Ms. Burak to obtain the information.

Mrs. Campbell: I may not be able to get back for the later vote.

Mr. Chairman: In the meantime, Mr. Bounsall, did you have some questions?

Mr. Bounsall: Now that she has—

Mr. Chairman: Were they relating to her typing abilities?

Mr. Bounsall: No, indeed.

Mrs. Campbell: That's precisely what we don't want.

Ms. Burak: In the salary categories of \$23,000 and over, there was an improvement of about 200 people. Again, that looks like a small number in comparison with the total, but I think that's a somewhat reasonable improvement over the previous year.

Mr. Bounsall: Does this reflect actual improvement in job categorization and job position, and not just money?

Ms. Burak: These are actual numbers of women earning those dollars in various categories.

Mr. Bounsall: But can you relate that to job classification and responsibility?

Ms. Burak: I can give you the numbers of people. I can't give you a breakdown by the actual levels of the categories, but I can get that for you. I can't give it to you tonight, but I can pull it together.

Mr. Bounsall: Okay. I would be interested in that. But what's your feeling on it? That could be partly as a result of increases in salaries rather than increases in positions and responsibilities.

Ms. Burak: Inflation is a factor, of course.

Mr. Bounsall: What's your feeling on this?

Ms. Burak: I think there is some gradual movement, for example, in the executive officer category. There has been an improvement in the number of women moving from the level of executive officer one to the two and three levels. Again, in the total numbers it doesn't appear to be that high, but there is some improvement. They are moving up slowly.

Mrs. Campbell: How many have moved up in that category?

Ms. Burak: I can tell you that.

Mr. Mackenzie: Is the improvement percentage-wise as well?

Ms. Burak: I can tell you that.

In the executive officer category at the three level—which is a fairly high-paying job; I think the maximum is \$31,000—there was an improvement in percentage terms over a three-year period from 9.4 per cent to 12.4 per cent. That only works out to two people, but at the executive officer two level, there was an improvement from 10 per cent to 15 per cent and that works out to almost 20 people. It's gradual, but it's improving. There aren't too many of those jobs available.

Mr. Bounsall: It's just barely in the right direction.

Ms. Burak: It's in the right direction.

Mr. Bounsall: It's in the right direction?

Mr. Swartz: If I may get back to the question raised just a few minutes ago about the general situation across the province, you were referring to research which we're doing and I said I didn't have those facts at hand. They are at hand and the wage gap between men and women is substantial.

When you factor out the human capital differences such as age, seniority, job level, part-time work, hours of work, the figures seem to indicate that women's earnings would rise from the mid-50-per-cent range referred to earlier and also documented in the Statistics Canada data and the consumer finances information, to approximately 80 per cent of men's earnings. What those data mean is that factoring out for the differences in the kinds of occupations they're in and the kinds of education they might have and the number of hours they're working, women are still earning only four-fifths of what men are earning.

This is a disturbing figure and one which I believe shows the need for continued work by our women's bureau and in our program areas. It's this kind of figure which gives us the sort of support we need to back these programs. I believe that was the kind of

general information you were seeking before.

Mrs. Campbell: It's dreary, isn't it?

Mr. Swartz: Yes.

Mr. Bounsall: To be specific, some of these studies mentioned have been concluded and are about to be published. What are you doing currently in the way of research to help either the women's bureau or the women's crown employees office to achieve this equality which must be achieved, and at a faster rate than we're doing it? What research projects are currently supportive of their very needful activity? What do you need?

Ms. Burak: The support we've had from the research branch in terms of program evaluation has been very strong. The statistics we publish in the annual report are very helpful for identifying the problems. We also send out twice a year to the ministries quite a comprehensive data package on hiring and promotional activities within the ministries and the occupational distribution and salary distribution within their ministries. So the onus is really on the ministries to take that research and concentrate on the problem areas. That's what we encourage them to do.

Mr. Swartz: We are also in the process of doing careful monitoring of the federal government's equal value clauses in the human rights code to see just how effective that is in redressing some of these differences. If our perception now, both in terms of the particular provision and in terms of the provisions of the American jurisdictions under the equal employment office, that these legislative codes are all well and good on paper but the empirical results which stem from these things are not too satisfying.

Yet it seems to be an extremely difficult process to implement. For one thing, it gets into the area of job evaluation, job classification, which is both very time-consuming and fraught with difficulties. We're trying to perceive which are the best ways, on the basis of the real world knowledge, of implementing programs to redress some of these gaps to reduce these gaps. We're unwilling, on the basis of current knowledge, to highly recommend one approach or another for the simple reason that the results on both of these approaches are still questionable and may suggest different ways of implementing stronger programs.

[9:45]

Mr. Bounsall: Sometimes it's the will to implement the program you have that's important. What's important is the emphasis being given to it from the top. Whatever

program or combinations of programs you may choose could well not achieve anything unless you have real emphasis from the top that that needs to be achieved. I certainly hope this new minister will take a strong role in seeing that the will to improve the women's situation is taken and in fact done. The time consumption argument does not sit easily with me. It's been used—

Mrs. Campbell: Not with me either.

Mr. Bounsall: The statement that it might take some time to get it into place has been used for too long as an argument not to start something. We've got to make a start somewhere and we've got to make a strong start somewhere.

Ms. Clarke: I couldn't agree more that it's very discouraging and the fact is in the private sector, the last figures we have are for 1976 and the wage gap, the percentage point, had gone slightly wider. Part of this is due to the AIB and the fact they would only agree to percentage increases which left women exactly where they were. Even when there was a case from Winnipeg, the AIB would not go along with the special provision.

Mr. J. A. Taylor: It would tend to widen it.

Ms. Clarke: That's exactly what I've said, yes.

Mr. Mackenzie: Remember that this government supported that federal AIB.

Hon. Mr. Elgie: So did George Meany. He's in favour of wage controls.

Ms. Clarke: There was a clause in the AIB which allowed for an improvement in the salaries of women if they could prove differentials that were definitely based on discrimination. But where a case was raised that looked, at least on paper, to be fairly favourable towards women, the AIB turned it down. So I think that's one area.

The other thing I might comment on is there are a lot of independent studies in this field. There are studies by Morley Gunderson, University of Toronto; there are studies by Harish Jain at McMaster; Sylvia Ostry did a study several years ago. They all come up with figures something like a 70 to 80 per cent differential after accounting for capital differences and so on. Therefore, that amount must be due to systemic discrimination based on hiring practices and all these other things that come into hiring people and even giving women a chance to try jobs they've never tried before.

That perception is so widespread. I meet it everywhere I go with all the employers

we work with—women just cannot do certain kinds of jobs. Where they'll wing it with a man and say, "Let's give that man a chance," they will not give a woman an opportunity. It's based on religious and cultural tradition and it's going to take us a long time to change those attitudes. Certainly, legislation can help to change attitudes, as we have seen with some of the human rights legislation.

If you want my opinion, I think contract compliance could be more effective in equal value in that it would cover not only good pay for women at the bottom of the scale, where at least 63 per cent of them are, but also would allow for opening doors to new opportunities. We are looking at that area very seriously. We have done one internal paper on contract compliance and we keep in touch with the American program. I would tend to feel the American program has been relatively successful in this field. Women are better off in the United States than they are in Canada. It's a very difficult program to implement. You've seen some of the costly court cases and the kinds of difficulties there have been in the United States.

Mr. Mackenzie: Is that paper available or is that strictly internal?

Ms. Clarke: That's really just an internal examination of how it operates in the American jurisdiction. What we are starting to look at now is how—

Mr. Mackenzie: Could you possibly share that with research people in other caucuses?

Ms. Clarke: I don't think it really says anything that isn't available from other documents. It's really a compilation.

Mrs. Campbell: What I don't understand from this conversation is that we have one person saying we are studying the American scene and we don't think it is too satisfactory, and we have you saying that you do think it is at least better, I presume, than what we have—I don't think it could be much worse.

Ms. Clarke: I think the danger is in trying to take a situation in the United States, or in any other country, and applying it here. One of the things I have found in discussions with Americans working in this field is that we do seem to have a better atmosphere in Canada for persuasion, for maybe using other kinds of—

Mrs. Campbell: Oh, dear heaven.

Ms. Clarke: Yes, I would say so, because I have run into the kind of situation where Americans have said, "If we can get the companies to move voluntarily, they do a

better job." That is, they don't combine a whole lot of people by saying, for instance, "Let's hire a black woman who is an engineer, and that will cover a whole lot of areas."

There is no question that some of the companies we are working with are making real changes. I am hoping that in the research we are just beginning—and the research branch is supporting us—we will be able to come up with some indication of that. Whether it is enough, whether it is too slow, whether corporations are going to move without legislation, I don't know; I don't think anybody does.

But I would find it difficult to say that the American experience was a disaster. They have had a lot of problems in terms of conflicting guidelines—something like 14 different guidelines. They have had a problem in implementing it in all the states. There is no question that it has been a difficult program, but these statistics seem to show there have been definite improvements for women.

Mrs. Campbell: What bothers me is that after all this time we are still studying the implications of the data. I think it is time that we took some positive kind of action on it. I am very sad that there is nothing here after all this time.

Mr. Mackenzie talked about International Women's Year. The record of this ministry in that particular year was a disaster, because that was the year of the amendments to the Employment Standards Act. You wouldn't bring in anything to assist women and to make them equal. You took away their rights to have protection on the graveyard shift; that was a great forward step for women in this province, and for equality.

It seems to me we are getting to the stage where equality always means taking away something from women, rather than giving them something of equality, which is what they want.

I don't understand why we have to go on studying. It takes me back to the old schedule five, which we studied like crazy, and we came up employing unemployed draftsmen to teach other people how to become unemployed draftsmen. I don't think our philosophies or psychologies have changed very much since that time. I get very angry at the fact that we keep studying and talking and get very little tangible action.

Ms. Clarke: I think, on the other hand, there are a few things we need to know. One of the things we are looking at now is, if there were contract compliance for people wanting contracts with government, how

many women would this actually affect? This is something we are trying to get data on now. In other words, if we brought it in, it would look great on paper, but how many women would it actually affect? That is one point I would like to make. I think it is important that we know it could be effective.

Secondly, in all fairness, Ontario is the only province with a strong—even voluntary—affirmative action program in this country. It is being used as a prototype by other provinces which are just considering doing what we have been doing since International Women's Year. The program was set up in International Women's Year; it was an ideal province to do it in because of the number of head offices here.

With all due respect, when I speak to some of my counterparts in places like Alberta, they say, "You are very fortunate, because at least some government commitment has been made to begin in this area and to begin to assess whether it is going to be effective."

I think it is important, when you look at it in that way, to recognize that Ontario has done far more than the federal government has done, in terms of really working towards getting companies to understand their hiring practices and what they have done in the past, and to recognize systemic discrimination. I think that must be said.

Mrs. Campbell: It really doesn't enchant me to hear that we're doing better than the federal government or some other government. Women have been around in this country for a long time, and we are sitting here talking about more research to figure out whether something will work. I've condemned this government many times for bringing in new programs without thinking them through, but I'll be hanged if I wouldn't rather see them bring in a program here to try it without any more research into something. Women have been, like native people, researched and studied to death.

Mr. Chairman: Members of the committee, I would just like to remind you that we have wandered away off the path. We are on vote 2301. Vote 2303 is the women's program and includes the women's bureau. We're two votes ahead of ourselves. I would like to wind up vote 2301 if I possibly could, Mrs. Campbell. I appreciate your comments—

Mrs. Campbell: I have been trying to find out, under the analysis, research and planning program, what they're doing in this area.

Mr. Chairman: We've sort of jumped two steps ahead of ourselves. I appreciate your

omments, but we're trying to wind up vote 2301 if we possibly can.

Mr. Bounsall, did you have something to contribute under analysis, research and planning?

Mr. Bounsall: Yes, indeed. With all due respect, they are related to the research reports and the research that is being done.

Mr. Chairman: That's splitting hairs.

Mr. Bounsall: One can hardly not comment on the programs which the research is supposed to support, Mr. Chairman. I will keep it brief.

Mr. Chairman: I would just like to remind you that the program description, according to what I see here on vote 2303, is: "This program consists of activities which are directly concerned with the promotion of equal opportunities for women and for coordinating existing and proposed policies and programs designed to improve the status of women throughout the province." This is basically what we've been discussing.

Mr. Bounsall: But you need to read—

Mr. Chairman: But we are not on vote 2303. I hope that by the time we reach vote 2303 there will be no further discussion on vote 2303.

Mr. Mackenzie: Let's say a good chunk of it will be done.

Mr. Chairman: We'll all be dead or die of old age. Mr. Bounsall?

Mr. Bounsall: You have to read the fine print under the research notes in the explanatory material to see the relevance, Mr. Chairman.

Mrs. Campbell: You're overruled.

Hon. Mr. Elgie: Having settled that, carry on.

Mr. Bounsall: Ms. Clarke mentioned the contract compliance and the research which you're doing to see whether it will be effective. What strikes me about contract compliance is that it is one area of possible action, because it reaches only those companies which do business with the government. Unless all those companies include suppliers to those companies as well—which I assume does not happen—there are whole lots of companies in Ontario which do not have direct dealings with the government and which would be left out of that particular governmental program.

From the research, or what have you, do you have any sense of what percentage of companies or what classes of companies are reached by contract compliance? I suspect there's a whole range left out beyond it that

wouldn't get the thrust of the contract compliance program, although that certainly can be one of the tools used.

Ms. Clarke: Although we don't know as yet how many companies it would affect, certainly in the American experience they cover not only contractors but also subcontractors. Educational institutions, hospitals—any group that gets government funding, period—is covered; which means almost everyone to a great extent. Therefore, it would depend on how much one wanted to tackle at first.

Mr. Bounsall: Would it cover Dofasco?

Ms. Clarke: If you started first with contractors, that might be a neat way of taking a chunk of it and getting some experience. I think the mistake the Americans made was to jump in and try to do everything all at once. If you cover contractors first, then go to subcontractors, then go to educational institutions, with penalties involved all the way through, it would seem more sensible if the government decided to go for such a program.

Mrs. Campbell: What would the penalty be if you tried to enforce it with Bell Canada?

Mr. J. A. Taylor: Death.

Hon. Mr. Elgie: You'd have your wire cut off.

[10:00]

Ms. Clarke: The kind of thing you can do is go to a hearing where they have to show they have acted in good faith. If they haven't, you can have financial penalties, back pay for discrimination. AT and T in the United States was really hit hard for millions of dollars on that decision and is still having to do a fair amount of work in that area.

Mr. Chairman: Any further questions under item 6?

Mr. J. A. Taylor: Yes.

Mr. Chairman: Mr. Taylor. I've had you down here for the last hour. You've been so silent I thought perhaps you were—

Mr. J. A. Taylor: I was frightful that I might become a statistic—

Mr. Chairman: Well, you are but—

Mr. J. A. Taylor: —and be sent to the research department and God knows where I'd turn up next.

Mr. Chairman: If you are given a chance you might just continue on.

Mr. J. A. Taylor: In connection with this area of research and planning, I was wondering whether it involved the creation of a

central repository for information that would keep us current with what other jurisdictions across Canada are doing with regard to such things as wages in the private sector and the public sector, areas that would assist in the conciliation process, the mediation process, in trying to work out fair wage settlements and that type of thing. Is any of that being done, and if so, what progress have you made and what are your plans, what are your hopes and aspirations?

Mrs. Campbell: It's probably under another vote.

Mr. Swartz: Well, it could come under—

Mr. J. A. Taylor: I think they're very appropriate. Unless this \$2 million means something else. You'll notice I carefully avoided reference to women because of my earlier objection that we were transgressing perhaps on vote 2303.

Hon. Mr. Elgie: Feel free to discuss that under this vote, Mr. Swartz.

Mr. Swartz: Thank you, Mr. Minister. Under the research branch, we do an awful lot of stuff on all the things you've indicated. We maintain very large information files on collective agreements. We analyse them and these are open to the public. People from both sides of the bargaining table come in and utilize them constantly on a daily basis. Usually, there are half a dozen people from outside in all the time. We have tables there and they can do the work there.

The collective agreements files maintain up-to-date information on all collective agreements in the provinces—wages, various working conditions and standards. If you want to know what the going rate is and the going kinds of contracts are in your area, you can come in and get it. You can either get it from the files or we can do some analysis on it and produce tables for you off a computer system at a very nominal charge. Over the years, we have developed a very effective computer system to do this and other provinces have come to us asking how to establish similar and comparable systems. We are in negotiation with a number of provinces including Quebec to establish similar systems for people in the bargaining process.

In addition, we make this information available to our mediators and conciliators. This is a backup service to them so that when they are involved in the collective bargaining process, they will have the facts at their disposal. There are four people on the conciliation and mediation services staff who work in the research branch under our

supervision, primarily to prepare this information and have it available and to do specific on-the-spot analyses of contentious issues which come up in the collective bargaining process where our conciliation and mediation staff are involved.

On the minimum wage side, we're doing quite a few studies to examine minimum wages, the impact of minimum wage change. We keep very close track of what the prevailing minimum wage rates are in all the other jurisdictions in Ontario as well as the national rate, the federal rate in the United States and rates in the major states, trying to examine the Ontario minimum wage structure in conjunction with that available information.

On the minimum wage side we are also working in close co-operation with the Canadian Institute for Research on Public Policy to do a very comprehensive review of all available empirical studies on the impact of changes in the minimum wage in Canada and the United States. There is a lot of controversy about whether or not minimum wages are inflationary, whether increases are inflationary when they cause unemployment, et cetera. We are reviewing all the past information on that in conjunction with the Canadian Institute for Research on Public Policy, trying to—

Mr. J. A. Taylor: Excuse me for interrupting, but have you drawn any conclusion in that area?

Mr. Swartz: Do you mean a personal conclusion?

Mr. J. A. Taylor: You say you have analysed it.

Mr. Swartz: We are in the process of preparing a report on this but we have not come out with final conclusions yet. I can give you my own perceptions of the information I have seen.

Mr. J. A. Taylor: I guess interpretation of that information would be quite important would it?

Mr. Swartz: Yes, very important.

Mr. J. A. Taylor: There would seem to me to be, implicit in much of this, a psychology that you may not anticipate unless you are a fairly astute person. With the information, have you, I would call it speculated on the results, being modest, rather than projected and anticipated—

Mr. Swartz: I can certainly give you the results of previously published studies conducted by the Ontario Ministry of Labour of the changes in the Ontario minimum wages. These are not studies that have evaluated

the current round of changes. These are preceding changes. The most recent one of those was published in 1975. It clearly indicated that the changes in size and scope we have had in the minimum wage structure in Ontario have not been inflationary and have not resulted in any unemployment. They did not create unemployment. I would think subsequent studies of current changes would indicate the same thing.

We are careful when we are examining minimum wages in this province to try to look at it on a key industry basis. We are concerned, as are other ministries, particularly the Ministry of Industry and Tourism, about the impact of minimum wage changes in certain kinds of establishments, in the tourist area, in restaurants and hotels et cetera. That particular secular impact is one aspect we will be examining very closely and doing a fair amount of survey work on next summer. We will have a chance by then to go through the current round of minimum wage changes that have occurred and will be occurring January 1.

Mr. Bounsall: With respect to minimum wage changes, I certainly would be surprised if you found them inflationary.

Mr. J. A. Taylor: I don't want to pursue the conclusions because maybe we are getting outside research analysis and planning, and then we get into a debate on whether or not they are correct. I didn't want to debate that. I would like to sometime, but I was wondering what work you have done, and whether you had reciprocal arrangements with other jurisdictions in terms of sharing of information. You had mentioned Quebec and some assistance you might be giving that province. I didn't know whether you're selling technology or expertise or what type of mutuality and reciprocity exists among the different provinces or other jurisdictions.

Mr. Swartz: Alberta is probably most interested in our data system on analysing collective agreements. We are making the system available to Quebec to examine the system's specifications, the use of the system, the analysis we put it to. It's for their knowledge to try to develop systems which are most compatible with their needs.

In terms of collective agreement analysis, all provinces do collective agreement analysis, but we're the only province that has built a data processing system and we don't have to do it all by hand; so we can get information for these users who come in, and they can frequently have it the same day—if not the same day, the next day.

Mr. J. A. Taylor: Excuse me for interrupting again. What I want to get at is not what you're doing in terms of the analysis of collective agreements, say, within Ontario, but whether you have a broader scope in terms of this information bank in regard to agreements in other provinces and to conditions of those agreements, including wages and so on.

Mr. Swartz: We have just recently established co-operative arrangements with other provinces and the federal government to make our analyses comparable on this scope. We publish regular publications—our settlements reports and our quarterly bulletin on settlements—which focus on particular elements in the collective agreements and the results of the bargaining processes.

I think we now have agreement with other provinces. One is that they will follow a similar coding system so that, when they output results from their bargaining processes, we're comparing apples and apples instead of apples and oranges. Very simply, if people are coding wage changes in percentages, you're going to have difficulty if you have a few provinces looking at changes in percentage terms and other provinces looking at them in terms of dollars per hour. The same difficulty applies to vacations and all the other elements in the collective agreement process.

We have our regular publications, we have our coding system set up for these publications, and we have now got the agreement of other provinces and the federal government that all of our analytic outputs in these areas will be comparable; so that what they're doing in their reports are going to be comparable with what we're producing in our reports.

Mr. J. A. Taylor: That standardization is great, but I am wondering whether you foresee a central repository, maybe at the federal level—maybe they have one; I'm asking you—which would assemble all this information and which would be available to all the provinces. Are there plans in this regard?

Mr. Ignatieff: Mr. Taylor, if I could briefly describe what I know of the current federal efforts, they have proposed to establish a collective bargaining information centre, which I believe is expected to be created by legislation some time in the next six months or so. This will be a relatively small unit, the purpose of which will be to make available to users across the country collective bargaining information that they might request from this federal unit. They have been

attempting to get the agreement of provincial governments, and I think other sources of collective bargaining data to provide, either through the federal centre or directly to those requesting the information, collective bargaining information for a specific purpose as requested. That's a new initiative.

Ontario has always had the policy of making available, as Jerry has described, the information in our data bank to any person requesting it; so we will certainly continue to do so co-operatively.

Mr. J. A. Taylor: So that the provincial posture is to make available all that information to a central repository on a federal basis?

Mr. Ignatieff: Yes.

Mr. J. A. Taylor: Would that involve cost to them, or is that without charge?

[10:15]

Mr. Ignatieff: I think the mechanics have yet to be established. I would anticipate that the most common approach for us probably would be to have the federal centre indicate to a person or an organization requesting the information that it would be available through the Ontario ministry. They would come directly to us and use the information sources we have, as they are doing at present, but it would sort of widen the awareness of what we have to offer. We would have no objection to providing the material directly to the federal centre.

Mr. J. A. Taylor: Have you resolved your respective roles and responsibilities, jurisdictionally, in regard to this type of system so you would avoid any duplication or overlap of effort?

Mr. Ignatieff: Their purpose in creating this centre, as I understand it, is basically to ensure that there's a kind of network that's available across the country. They have emphasized their desire not to duplicate existing sources but rather to depend upon them. I think it's on that basis that they are proceeding and have got a measure of co-operation.

Mr. J. A. Taylor: What I'm getting at is, would that involve a possible curtailment of your scope?

Mr. Ignatieff: No, in no way.

Mr. J. A. Taylor: I started off on this line of questioning because I was wondering how broad a scope you had. If we had a federal system, would there be any duplication of our effort in that regard?

Mr. Swartz: For quite a while, we have been sharing information with the federal government; so we do avoid duplication in

obtaining information from collective agreements.

The information we pick up from the collective agreements which are filed with us is sent to Ottawa and incorporated in the federal collective bargaining settlement reports. We use the same information; so firms as much as possible, are only hit once for this kind of information. This comes out in our regular publication, *Collective Bargaining Settlements and Negotiations Reports*.

Generally speaking, the information is presented to both the federal and provincial authorities by our unit at about the same time. We try not to overlap on that, and we compare our list of bargaining units quite extensively, on a monthly basis, with the federal Department of Labour.

Mr. J. A. Taylor: I was going to ask you, pursuant to the Anti-Inflation Board and the implementation of that program across Canada, whether you have done any research in regard to the aftermath or whether you have any policy planning that would be relevant in terms of ensuring stability of wages and prices?

Mr. Swartz: First of all, I think it is a bit beyond the scope of the research branch to ensure stability in wages and prices, much as I would like to see that.

Mr. J. A. Taylor: That wasn't my question. My question referred to any research or planning analysis that could measure the aftermath of the discontinuance of wage and price controls, which again could result in new programs or policies that could ensure stability. I wouldn't expect you to cause all of these things.

Mr. Swartz: Our research operation is very closely involved in examining trends in post-control collective bargaining settlements. From the fourth quarter of 1977, right through to August 1978, we have been following the number of major agreements negotiated, employees covered and the annual percentage increase in base wage rate changes. You would be interested to note that, under AIB, the fourth-quarter base rate change was 6.5 per cent; in the first quarter of 1978 it was 6.2 per cent; in the second quarter of 1978 the change was 6.3 per cent; and, so far, the information for July and August of 1978 indicates the changes were 5.4 per cent and 6.2 per cent. We are looking here at major agreements covering 200 or more employees; these are basically the trend-setting agreements. We are watching that very closely.

Mr. J. A. Taylor: Without discussing conclusions, there is some optimism in what you have said in terms of stability.

Mr. Swartz: Economists, being practitioners of the dismal science, are not necessarily known for their optimism. I would caution anyone who is optimistic—and we maintain the same caution ourselves—to note that there are a number of other major bargaining situations that will be expiring and coming up in 1979. We will be watching those closely as well. They include the auto industry, the electrical products industry, the beverages industry, et cetera. I can go down the list if you would like.

We look at those from a research point of view. The conciliation and mediation services branch, with which we work very closely, is of course far more involved in the actual bargaining process, with the conciliators being there at the bargaining table. We do have our concerns and we are trying to be as well prepared as we can be in all of these situations, with information on what the going rates are and what the changes are.

Mr. J. A. Taylor: I didn't want to take too much time in terms of pursuing that further. There was one area, though, which I would think deals with analysis, research and particularly planning; that is, some of the concepts, as manifested in the Rand report that came out some years ago, particularly in terms of a tribunal that would adjudicate on disputes which would avoid strikes.

Do you have a policy analysis section that could pursue and analyse that type of report and assess its applicability in terms of whether it would be relevant today? It may not have been relevant when it came out; do you say, "Maybe it is time to dust it off and give it some renewed consideration"?

Mr. Swartz: In the research branch we tend more to collect information, analyse it and present the relevant material. The formulation of policy—whether we should set up an adjudication process to handle those kinds of disputes, or whether we in Ontario should follow a Rand type of procedure or a procedure that might be followed in other jurisdictions—is not within the purview of the research branch per se.

Mr. J. A. Taylor: You don't take a report such as that, review it and make any observations or recommendations?

Mr. Swartz: We do get reports on these things and make them available to people in the ministry who are interested in reviewing the process and considering it. For example, we have internal reports from British Colum-

bia on the success or lack of success—however you might call it—of their process. We get the same from other jurisdictions.

Mr. J. A. Taylor: I was wondering who might initiate that type of effort. Are you all self-starters, or are things referred to you for analysis? Presumably, there must be something that filters up that is ripe for discussion and may make some improvement.

Mr. Swartz: There are several gentlemen seated at the table to my right and to my left who filter quite a bit of material down to the research branch and stimulate that kind of research and analysis. To an extent, we are self-starters in the branch, but we try to support ministry policy analysis with all the available research we can produce on an as-needed basis.

Mr. J. A. Taylor: What you are telling me is that your section hasn't reviewed that old report—I will call it old because I guess it is now—the Rand report.

Mr. Swartz: No, we haven't reviewed the Rand report per se. We are aware of what was in Rand and what are the current variations on the Rand kind of recommendations. We also maintain statistics on certifications and progress from certifications to collective bargaining settlements. It's this kind of thing that comes out of Rand and we maintain that.

Mr. Mackenzie: There are two extremely fast questions from our people and we can't speak for any of the others but if we can get half a minute on both those questions—

Mr. Chairman: Go ahead.

Mr. Mackenzie: Is the information from the minimum wage studies and the hours of work studies you are talking about available to us, particularly the policy papers that were prepared for discussion within the ministry and submission to cabinet, seeing as how you have mentioned them? I think this whole question of hours and wages is an important one and we should like the information.

Mr. Armstrong: Mr. Swartz really should speak to the extent to which the minimum wage study is in publishable form. It's a study that's just being started, as he said, with the Canadian Institute for Research on Public Policy and with the Economic Council of Canada. We are doing some preliminary work now. I don't believe that's in publishable form yet.

Mr. Mackenzie: What about the policy and issue papers that were prepared for discussion within the ministry and submission to cabinet? You have listed them.

Mr. Swartz: These papers were prepared in order to give senior policy makers an idea of what the relevant economic information is and what our anticipation or what the consequences of changing the minimum wage would be.

Mr. Mackenzie: Yes or no would solve it.

Hon. Mr. Elgie: These are usually papers prepared for internal purposes to develop policy. Is that the yes or no answer you are looking for?

Mr. Mackenzie: They are not available?

Hon. Mr. Elgie: That's right.

Mr. Bounsall: I have a quote from the research portion of your explanatory material. One of those quotes, which is quite clear and is not hard to understand, says, "As part of the ministry's initiative in creating a safe and healthy work place, an analysis of information on exempt workers and work places in Ontario was compiled. Staff members participated in committees investigating different aspects of coverage." Would you care to comment on their findings?

Mr. J. A. Taylor: Yes or no.

Hon. Mr. Elgie: You don't want that short an answer, do you, Jim? Where is that?

Mr. Bounsall: Being as the emphasis is to create a safe and healthy work place.

Mr. Swartz: I can comment on the findings but I would have to say that I don't have information available in a public form for that. This was research done in support of ministry deliberations in preparation for Bill 70.

Mr. Bounsall: So it's just one side of the argument?

Mr. Swartz: I don't really think the research has been one-sided. We have attempted to gather the information that's available.

Mr. Bounsall: We will return to that in the occupational health and safety portion of the vote, Mr. Chairman.

Item 6 agreed to.

Items 7 to 9, inclusive, agreed to.

Vote 2301 agreed to.

Mr. Chairman: Thank you very much. My heavens, we have made progress. It is now 10:30. We shall adjourn until 10 o'clock Wednesday morning. We don't sit Tuesday.

Hon. Mr. Elgie: Mr. Mackenzie requested that we not sit Tuesday night for a variety of reasons and it was agreed upon. Wednesday morning and Wednesday afternoon we do sit.

Mr. Chairman: That's correct. From 2 until 4:30 Wednesday afternoon. Thank you very much. Good evening.

The committee adjourned at 10:30 p.m.

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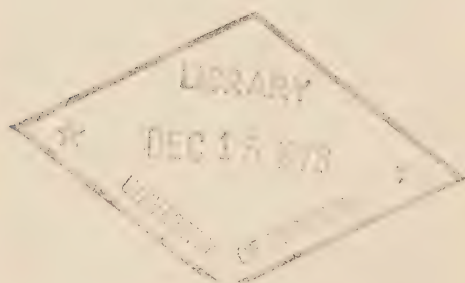
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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee
Estimates, Ministry of Labour



Second Session, 31st Parliament
Wednesday, November 29, 1978
Morning Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 29, 1978

The committee met at 10:15 a.m.

ESTIMATES, MINISTRY OF LABOUR (continued)

Mr. Chairman: Members of the committee, ladies and gentlemen, we now have a quorum. When we adjourned last Thursday evening, we were on vote 2302, industrial relations program. Before we go ahead with our first speaker, Mr. O'Neil, I would just like to advise the members of the committee that Mr. Bounsall will be substituting for Mr. Aldman this morning.

Hon. Mr. Elgie: Before we proceed, Mr. Chairman, there was a question about whether the Ontario Labour Relations Board could be dealt with.

Mr. Chairman: I was just going to ask the members of the committee for their consideration of vote 2302, industrial relations program, with vote 2308, labour relations board program. It was suggested that both of the votes be discussed at this time. Is that agreeable to the members of the committee?

Mr. Mackenzie: It's agreeable.

On vote 2302, industrial relations program:

Mr. O'Neil: Mr. Minister, at the recent Ontario Federation of Labour convention you sort of dropped hints that the conciliation and mediation services might be separated from the ministry. I wonder if we could have some further comments on that.

Hon. Mr. Elgie: I don't think I said that. What I said—indirectly, Mr. Mackenzie agreed that the other day—related to the question of the ministry per se always being perceived as a neutral broker. I indicated that if I saw the ministry, particularly the conciliation and mediation services branch, playing its role as a neutral broker compromised at any time, then we might have to look seriously at something like they have in the United States, where it's separate.

Up to the present time I have never heard any criticism that the conciliation and mediation services branch—"division," sorry; Mr. Pathe gets upset when I call it a branch; it's a division—that the division has not very ably kept its role as a neutral broker quite

intact. But if it was ever in jeopardy, then I would have to consider it, yes.

Mr. O'Neil: I have another question, concerning the Kelly commission. I don't know whether you went into that in any detail the other day. I was just wondering if we could know the total cost that you incurred for that commission.

Mr. Webster: The total fees were \$21,222.75. The out-of-pocket expenses were \$519.70.

Mr. O'Neil: Those were the total costs that were incurred?

Mr. Webster: That's right.

Mr. O'Neil: I know we had some discussion in the opening couple of days concerning the Kelly report, but could I ask what action the minister plans to take in following up some of its recommendations and going a little further into the matter? I don't think we as the opposition feel that it really came up with that many good recommendations.

Hon. Mr. Elgie: As I mentioned to you, it was our awareness and concern about the problem that prompted the previous minister to appoint a commission to review the question of arbitrations. The concern related to three areas: 1. It was quite a legalistic procedure; 2. It was a lengthy procedure; and 3. The costs involved were quite onerous in lengthy arbitrations. Those were the issues put to the Kelly commission, and a report was submitted.

That report has been distributed fairly widely; a total of 1,270 copies have been distributed to date. They have been distributed, first of all, to the people who submitted briefs to the Kelly commission; secondly, to unions and industry; and, thirdly, to the labour relations section of the Canadian Bar Association, law firms, students and some staff of the Ministry of Labour.

To date, and to my personal knowledge, I have received correspondence from three people, two being solicitors and one a representative of a union. This is the kind of input we're waiting for. As soon as we've received what we deem to be an adequate response, then we'll get down to the matter of preparing our own initiative with regard to the problem.

Mr. O'Neil: That's fine.

Mr. Bounsall: Regarding the input you're receiving in response to the Kelly report, will you be making it available in the library so other people can see what the input has been in addition to your officials at the time they start to make up their minds with respect to what has come in?

Hon. Mr. Elgie: I don't see any difficulty at all in gathering together the communications we receive and putting them in our library, which is open to anyone who wishes to review the correspondence.

In some cases it's personal correspondence. In others it'll be briefs, I'm sure. But I don't think I have any hesitation in asking my ministry to compile those in some form that can be filed in our library.

Mr. Bounsall: Do you have a cutoff date in mind for that?

Hon. Mr. Elgie: No, we haven't established an actual cutoff date. That's not a bad suggestion, either. I appreciate that. That's a good point. When we sent out the briefs, we simply sent them out and asked for comment. I suppose it is a reasonable thing to suggest there should be a cutoff date. I'll keep that in mind now.

Mr. Bounsall: That would be interesting in terms of knowing when the documents that have come in would be available for viewing. Or are you just going to continue to pile them up on a regular basis in the library?

Hon. Mr. Elgie: I think your suggestion that we set a cutoff time is a very valid one and we'll get at it. The documents we receive will be compiled and put into our library.

Mr. Bounsall: All right. We're on the program administration vote, are we, Mr. Chairman?

Mr. Chairman: No, we're on industrial relations.

Hon. Mr. Elgie: Vote 2302, item 1.

Mr. Bounsall: We're still on item 1, right?

Mr. Chairman: Right. You can discuss from 1 to 3. We're very flexible here.

Mr. Bounsall: You're going to be flexible at this point? Continuing on then, if we're discussing all three of them—

Mr. Chairman: I might mention if you wanted to discuss 2308 we could also tie that one in under the labour relations board program, which we agreed to this morning.

Mr. Bounsall: Let's do that as a separate item, eh? It's probably best done as a separate item.

Has the commission done any analysis of the information on cost and delay in the arbitrations it started to collect some time ago?

Miss Johnson: We request every arbitrator to submit a schedule of fees. This is done on a yearly basis and they are updated. Mr. Kelly mentioned that it was about \$600 and that's a very good estimate. It averages out to about \$600. That is for the day of hearing as well as preparing the report. Sometimes a report will take two days to prepare after a day of hearing.

Mr. Bounsall: That figure is virtually unchanged then from what it has been over the last two or three years?

Miss Johnson: Yes, it's just about the same. Some of the new arbitrators start out on a very low fee schedule and then as they get more experience, probably after they've talked to some of the pros in the field they'll send in a revised fee schedule.

Mr. Bounsall: What about the delays? What's the length of time now, from the time an arbitration is started to the time the decision is reached?

Miss Johnson: I believe research has done some work on that. They could answer that better than I.

Mr. Armstrong: We can undertake to get that information for you. Research has done that on that question, as Miss Johnson says.

Mr. Bounsall: You don't have that answer right here?

Mr. Pathe: No, we don't have any statistics here.

Miss Johnson: I haven't them with me but I could certainly get them.

Hon. Mr. Elgie: Could you try to get those this afternoon?

Miss Johnson: Yes, I'll do that.

Mr. Bounsall: That's all I have right at the moment. I may come back to it.

Mr. Haggerty: I would direct some questions to the minister concerning the conciliation mediation services in the Ministry of Labour and throughout Ontario. I was one of those members appointed to the select committee dealing with the matter of the Fleck Manufacturing Company in south western Ontario. Information came before the committee concerning the strike itself in that area. Has the minister come up with any rational approach to solving some of the issues that may exist in certain industries that are out on strike?

One of the things that was mentioned in particular was that there were a number of

persons on the picket line but they were not members of the local union or members of the local industry there. If we are going to permit strikes—and they have served their purpose in Ontario—we should perhaps look at the matter of controlling picket lines.

If the industry is shut down through a lockout by a company or by a legal strike, then there shouldn't be any employment in the sense of saying work should continue there, and the only people permitted on the picket line should be the employees of that industry. I think this is one of the problems that caused so much disturbance and compounded the problem there.

I suggest there should be something where, if the industry is going to be on strike, then it only should relate to employees there and your team of negotiators and mediation services should be available there at all times. I think that strike was rather a shameful thing to take place. I suggest it continued for a number of months. Perhaps there were other ones in Ontario too, but it was a target area where everybody wanted to be involved. I suggest it should be just related to the persons employed in that particular industry.

Hon. Mr. Elgie: What you are suggesting here is that the presence of—let's presume they're the same union—members of the UAW who were not members of that particular local contributed to the prolongation of the strike. Is that what you are suggesting?

Mr. Haggerty: That's been indicated. I suggest even the paper has suggested that, I'm sure.

Mr. Armstrong: Mr. Haggerty, as you know, the law—and I am speaking here not of a statute but the jurisprudence—establishes that mass picketing is not permitted and it's open to a company to seek to enjoin mass picketing. I am not aware, and I could be wrong in that, of any jurisdiction which prevents persons who are in support of strikers from joining a picket line so long as they conduct themselves in a peaceful manner and don't obstruct the passage of vehicles and persons into and out of the struck plant. In the particular situation you mentioned, the company, for reasons that would be best known to it, did not apply for an injunction and, consequently, there was some need for police assistance.

Mr. Haggerty: That police assistance was costly too. It cost the taxpayers quite a bit, an enormous amount of money.

Mr. Armstrong: Specifically in response to our question, I am not aware of any jurisdiction that would prevent you or any

body else from indicating your support or otherwise to a strike.

Mr. Haggerty: The trend today in many industries is to go into an industrial park. Normally, they're fenced off in the sense that it is private land and they have a good-sized fence around it for security purposes. There may be one or more industries in a particular site. The same thing happened at this industrial park in southwestern Ontario. To let other persons go through that gate when there is a mass number of persons picketing on that line, this is where the problem was. There were other people who could not get to their place of employment.

The trend today is towards these industrial parks. If you don't do something now, it could further compound the issue in perhaps another strike. Other persons have to get into their plant for employment purposes. If you have one gate or two gates you can bar almost anybody from going in there.

[10:30]

Of course, you have the confrontation on the streets again and you have to call in a number of police. They have a difficult time now. The press and the public have been critical of the number of law enforcement officers in that area, but I think they were in there not only to protect the picket line persons but to protect other persons wanting to get into this industrial park. I feel that some place along the line the Ministry of Labour in a sense has not done the job that it should have done in that particular area in getting those people back to work. There was so much bitterness that followed that strike.

Mr. Armstrong: You say a picket line can bar people from entering. The legal purpose of the picket line, and the jurisprudence is quite clear on this, is to communicate information. If the picket line is going beyond that and is physically preventing access to either the struck plant or plants that are reached through the same road or same point of access, then that's illegal picketing. It is something for the courts to determine.

I don't know how you solve that legislatively, unless you're suggesting that somehow we should be codifying what the common law and what the judges have been saying for years as to the legitimate purposes of picketing. That surely is not something for the Legislature, that's something for the persons who may be collaterally harmed by the illegal process and for the police.

Mr. Haggerty: You know yourself that in this particular area there were a number of other persons who may not even have be-

longed to the union, I don't know, but who were on the picket line there to assist the persons on strike at Fleck Industries. All I am suggesting to you there is that they shouldn't have any involvement in it whatsoever. The persons in that strike should be the ones on the picket line. All I want to see is that confrontations are removed off the streets. I don't think there is a need for it. I think there are measures that can apply through the Labour Relations Act that must get some of these things moving a lot quicker.

You suggested the courts for an injunction. Sometimes it can take months to bring about some action by a judge. Court can be a process of long delays. I don't think the court should have anything to do with it. We have a labour relations board here, which is a court in itself, that should be able to move in some direction to bring about some reasonable methods to resolve an issue. Even then, it takes time before that can go through the process of the labour relations board. It can be a lengthy process.

Mr. Armstrong: I take it from your question that you are suggesting that the labour relations board should be the body or the tribunal that is given the responsibility for governing the appropriate numbers and extent of picketing and locus of the picketing and those matters—a picketing code within the Labour Relations Act.

Mr. Haggerty: That's what I am suggesting. I think you have to do that to bring about some reasonable, rational approach to settle a dispute. The longer it continues, it creates more bitterness among the three parties, you might say. I suggest that we should be moving in that direction.

Another point is that I feel there has been an injustice done to a number of employees in Ontario in that because they are not members of a union they don't actually have access to the labour relations board. Employees who are not members of a bargaining unit have no access to the grievance settlement procedures of the board in matters such as unfair dismissal from employment. I suggest that should be broadened to include all employees in Ontario, whether unionized or non-unionized.

Hon. Mr. Elgie: You are suggesting the question of unjust dismissal then should be extended beyond collective bargaining, and there's no legislation in the unorganized sector?

Mr. Haggerty: That's right, and I suggest we should be looking in this area. I know

a number of plants or industries in my area that have good relations, as far as that goes, with their employees. They provide good wages, but there may be a case where a person may be dismissed and maybe unjustly.

Hon. Mr. Elgie: That is an area I have had an interest in myself, Mr. Haggerty, and some time ago I asked the staff to gather together existing legislation in Canada regarding unjust dismissal in the unorganized sector. It was interesting to note the federal government just passed legislation that took effect a month or two ago, I believe. Even in a situation like that, the legislation applied only if there had been continuous employment over a 12-month period.

The other province was a maritime province, Nova Scotia. Legislation enacted by the recently defeated government there allowed an application for unjust dismissal after continuous employment for 10 years. I would think the 10-year period in the Nova Scotia legislation probably is a little long.

But I just want you to know it is an area I am looking at and to point out that I have started to review the legislation in other jurisdictions. At the present time there are only two jurisdictions in Canada—the federal government itself regarding its employees, and Nova Scotia under the former administration with its 10-year requirement. That, too, is an act which was passed fairly recently.

Mr. Pope: Just on that same area, if I can, Mr. Haggerty: Are you looking also at changes which would require the filing of notices with the ministry, even in the event of receivership, as opposed to sale of businesses—termination of employment under those circumstances?

Hon. Mr. Elgie: In the event of going into bankruptcy?

Mr. Pope: Yes.

Hon. Mr. Elgie: Do we not have requirement for such notice that a plant is going to terminate?

Mr. Armstrong: If the bankruptcy or receivership results in a layoff of employees, then the bankrupt company or the company going into receivership would be required to comply with the termination regulation of the Employment Standards Act.

If the receivership was simply a question of the receiver taking over a company that was a going concern without any effect on the employment of the persons in that firm, then of course we would not receive any notice of that.

Mr. Pope: And how far would your ministry get involved in examining the circum-

tances surrounding going into receivership or bankruptcy and its consequent purchase from a receiver to determine whether or not the provisions of the act are somehow being avoided?

Hon. Mr. Elgie: Are you really zeroing in on protecting employees with regard to benefits in a bankruptcy?

Mr. Pope: Yes.

Hon. Mr. Elgie: That certainly is a problem area and there are a variety of things that one can think about. One is some sort of a secured creditor concept and the other is some sort of a fund that is required to be set up by a company to protect employees who are laid off in the event of a bankruptcy and closure. These are areas that obviously have to be looked at and we have had some legal review of the matter. Whether or not there is any legislation going to be considered about it, is a matter subject to review.

Mr. Pope: What is the statutory priority for a receivership or bankruptcy situation for wages and wage benefits and termination pay?

Mr. Armstrong: It is now governed by the Bankruptcy Act, which is a federal law. I think it is three months' wages up to a maximum of \$1,000. Yes.

We are advised that the federal authorities are reviewing the Bankruptcy Act. That is one of the problems the minister has suggested. One of the problems is that under our peculiar constitutional division of powers this power is a question—let me put it no higher than this: there is some doubt about the ability of the province to encroach upon the area of bankruptcies and insolvencies.

Mr. Haggerty: Apparently, though, this matter has been raised with previous Ministers of Labour here concerning bankruptcies and how it affects employees' income. In a number of cases at the present time an industry can go into bankruptcy and there's nothing for the employee. He loses his holiday pay and everything. I am sure it has been brought to their attention before.

But surely the Ministry of Labour can submit a brief to the federal government if they are reviewing the Bankruptcy Act. I think I can recall last year this question was raised by one of the members and we got the same reply. Surely you should be able to give some direction to them in their proposed changes in federal legislation.

Years ago, an employee was guaranteed that one of the first ones to get his money, but changes have been made. I think I can recall 25 years ago a company went into

bankruptcy and with the help of the union we certainly did get payment for back wages and everything else from them. But today that has gone the other way. I suggest this is an area where an employee's wages should be protected, because the banks normally are the first ones to get their chunk out of it—or the trust companies or whoever.

Hon. Mr. Elgie: I don't think there's any doubt about the concern we all share about this, Mr. Haggerty. As I have mentioned to you, we have done some considerable review of the problem and we have made representations to the federal government in this area since they are reviewing the Bankruptcy Act. So I don't think there's any doubt we all share the same concern.

Mr. Pope: Just two quick questions to end this, as far as I am concerned: Is it possible that termination benefits would be included as a priority? Would you not consider enacting legislation under the Employment Standards Act which would give us statutory priority over all other securities for wages due and owing and also wages due on termination? This could include not only bankruptcies but any assignments for the benefit of creditors or any realization of security of substantially all the assets of an operation by a creditor where the effect of it would be to terminate the business of the company.

Mr. Armstrong: This is one of the techniques that has been considered. Incidentally, the employment standards review committee has been considering this question among others, and this is, strictly speaking, an item under that vote. But your suggestion of a way to circumvent the constitutional problem is one that we have considered. That is to say, make these funds in effect trust funds and withhold them from the bankrupt estate so that we don't get into questions of ranking under the Bankruptcy Act.

One or two other jurisdictions have done this. This is one of the recommendations which is being looked at by the employment standards review committee. The members of that committee and Mr. Scott can talk with more precision about that, but that's one of the things being looked at. If you can create a trust fund and legitimately contend that's not part of the bankrupt estate, then you do get around the problem of ranking in terms of secured creditors.

Mr. Yakabuski: Mr. Chairman, somewhere I wanted to ask—

Hon. Mr. Elgie: Now we will hear from "real" Ontario.

Mr. Yakabuski: Right.

—about the predicament a lot of members

of unions, especially construction and steelworkers, et cetera, find themselves in, especially in the Ottawa valley. For instance, from time to time there are construction projects under way and these people pay anywhere from \$200 to \$300 to join the union. Then they find they are unable to obtain employment. The contract with Ontario Hydro or whoever it may be calls for union personnel to do these jobs. These people join the union, they go to the union office in Hull or Ottawa, but they can't work on projects right on their doorstep. It happened time and time again on the Arnprior hydro project. It happened on the Arnprior bridge. [10:45]

Just recently we had two young men who spent some time in Vancouver and belonged to the ironworkers' union out there. They had their dues paid, and they wanted a transfer to the east because they were back home in Cobden, Ontario, where they were erecting an arena. The last I heard, these two boys couldn't get work on that arena, but other ironworkers were coming in from more distant parts to work right on their doorstep.

Isn't there some way these union members can get some protection, or at least can get work in their own area when work is available?

Hon. Mr. Elgie: Mr. Yakabuski, I don't profess to be an expert on hiring-hall practices, but I do know that section 60(a) of the Labour Relations Act states as follows: "Where pursuant to a collective agreement"—that's the agreement you're talking about, say with Hydro—"a trade union is engaged in the selection, referral, assignment, designation or scheduling of persons to employment, it shall not act in a manner that is arbitrary, discriminatory or in bad faith."

If there is any suggestion that hiring-hall practices contravene section 60(a)—that is, that they are behaving in an arbitrary or discriminatory fashion or that there's bad faith—then there is easy access to the Ontario Labour Relations Board. I don't know how many such applications or complaints might be received; the chairman might have some comments on that.

Mr. Scott: I would think there would be roughly two or three a year; it's not a large number.

Hon. Mr. Elgie: If it's such a prevalent problem, it's hard for me to believe there wouldn't be more complaints under section 60(a)—and there are also other sections; is it section 12 I recall reading once? So I believe the Labour Relations Act gives fairly

wide protection with regard to discriminatory practices.

Mr. Yakabuski: Did you say section 60(a)?

Hon. Mr. Elgie: Section 60(a) of the Labour Relations Act.

Mr. Yakabuski: I think many of them are not aware of the procedures available to them. In the case of these construction workers, the head office of that union was in Hull, and most of the workers were coming from Hull, Quebec—not even from Ottawa—but from Hull, Quebec—and working on the jobs in Arnprior and the Renfrew area.

Hon. Mr. Elgie: I really don't feel I'm able to elaborate other than to say that, in the hiring-hall practices are arbitrary, discriminatory or in bad faith, there is access to court to deal with them.

Mr. Yakabuski: They would just make application to the Ontario Labour Relations Board under section 60(a) of the act? That's you.

Mr. Mackenzie: Of the 659 disputes which you mentioned in which post-conciliation or mediation assistance was provided—I presume a conciliation board—

Hon. Mr. Elgie: Pardon? I couldn't hear you.

Mr. Mackenzie: Was that where a conciliation board was provided?

Hon. Mr. Elgie: No.

Mr. Mackenzie: I'm referring to the 659 disputes as the number during 1977-78—

Hon. Mr. Elgie: What page are you on Bob?

Mr. Mackenzie: Page 38 in your explanatory material.

Hon. Mr. Elgie: You're not referring to cases in which there was a board of conciliation set up?

Mr. Mackenzie: That's what I'm wondering.

Hon. Mr. Elgie: No.

Mr. Pathe: There has been one board in the past year or so; it would be earlier in the fiscal year. There hasn't been a board.

Mr. Mackenzie: So the use of the board is just about non-existent?

Mr. Pathe: Yes. I think there's been one board since 1970.

Mr. Mackenzie: How many of these 659 disputes that requested assistance were the result of first agreements? Have you any breakdown on that?

Mr. Pathe: I have some statistics on first agreements.

In the fiscal year 1977-78, there were 291 applications for conciliation concerning first agreements. Of the 291, 186 were dealt with and settled by March 31, 1978, the end of the fiscal year.

Hon. Mr. Elgie: The deputy and I were talking about this, totally unrelated to the estimates, the other day. I had asked why there were so many no-boards as opposed to boards being ordered. He advised me it was felt that the conciliation boards established were really just dragging out the issues and not allowing the parties to get down to the fundamental problems they were facing. It was being left in limbo.

We did discuss whether the concept of a conciliation board should be renewed and perhaps even strengthened a bit. But I have no fixed policy on that yet. I am still just talking to him about it.

Mr. Mackenzie: To get back to the figures. One hundred and eighty-six resulted in settlements?

Mr. Pathe: Yes. That's right.

Of those, 119 were settled by conciliation officers, presumably at the conciliation stage, and 43 in mediation. To answer your question, of the 650 disputes in post-conciliation, 13 were first agreements. There were 13 settled by the parties themselves following conciliation.

Mr. Mackenzie: There were 291 applications concerning first agreements. I'm obviously not thinking clearly or I'm missing something this morning. You said only 43 were first agreements?

Mr. Pathe: No. Your original question was how many of the 659 disputes that had post-conciliation assistance were first agreements. From my information, 43 were. The rest were dealt with either by the parties themselves or in conciliation.

Mr. Mackenzie: Am I correct, in looking at these figures, that we have had about 1,000 requests for conciliation during the year?

Mr. Pathe: Yes. It was considerably higher the first six months of this year. But in the end figures, that's it.

Mr. Mackenzie: When you say it was considerably higher this year, enlighten me a bit.

Mr. Pathe: During the six-month period, April to September 1978, total cases processed were 2,431 compared with 1,573 in the corresponding period of 1977, an increase of 54.5 per cent.

Mr. Mackenzie: That's a rather fantastic increase. Do you attribute that to anything in particular?

Mr. Pathe: More expirations, due to the many one-year agreements mainly brought about by the controls. There were so very few agreements longer than one year during the controls period.

Mr. Mackenzie: Do you have any breakdown as to the number requested by the union or by management?

Mr. Pathe: I haven't seen any figures on that. Those requested by management are very few. I would guess not more than one or two per cent. There are a few joint requests. There seem to be more cases of the parties determining a time schedule for negotiations, where they determine in advance that they'll jointly apply for conciliation by a certain date if no agreement has been reached and even determine when the no-board should be issued if there's no agreement at conciliation.

Mr. Mackenzie: I'm not familiar with the Quebec setup on conciliation and mediation, except that I am told the parties can ask for the service much quicker. Are you aware of that?

Mr. Pathe: I am not totally familiar with it, but I understand that now it is voluntary conciliation. There is the sort of no-contract/no-work concept.

Mr. Mackenzie: That was what I was getting at.

Mr. Pathe: Conciliation or mediation is voluntary and they request it and get it according to the availability of people.

Mr. Mackenzie: I have heard a number of people indicate they sort of like the idea, or see some possible merit in it. Have we looked at it at all in Ontario?

Mr. Pathe: We have had some discussions at conciliation and mediation services about it and there are mixed views among the staff there. I am not aware of any ongoing consideration of it internally.

Mr. Armstrong: As Vic says, we have discussed from time to time the merits of voluntary as opposed to compulsory conciliation, and the chief virtue—if you can call it that—is that everybody knows when the strike or lockout mechanism can descend. There is not the uncertainty, dependent as it now is on the issuance of a no-board report or the appointment of a conciliation board.

Mr. Mackenzie: That struck me as possibly being a benefit of it. That's what I wondered.

Mr. Armstrong: On the other hand, I think it is fair to say there is some ambivalence on both sides, both union and management, about the advantages of prolongation in some

cases to permit more intensive mediation and not being hit with an absolutely inflexible deadline, which in some cases would preclude the kind of last-minute preventive mediation efforts which are sometimes necessary.

Mr. Mackenzie: The experience in many cases is that until you are down to a bloody deadline you really don't get any action.

Mr. Armstrong: Yes.

Mr. Pathe: There is, though, in many cases a lot of useful work done during the conciliation stage. We have come to look at it a little differently; not just to judge the relative merits of it based on the settlement rate, but more by the number of issues which are settled at that stage. Where the work is done well at that stage, the dispute is more manageable in those final days. You tend to reduce the number of disputes where with three days to go to a deadline you have 55 items still on the table. The conciliation officer very often can reduce the list to manageable proportions. That makes it easier for the mediator or, in fact, for the parties themselves, if they want to bargain it out directly.

Mr. Mackenzie: I notice on your complement you have 16 conciliation officers, seven mediators, four research staff, 12 clerical and secretarial persons. Eliminating the clerical and secretarial, how many of the mediators or conciliation officers are women, and how many of the research staff are women?

Mr. Pathe: There are three in the conciliation-mediation staff and one in the research staff.

Mr. Mackenzie: Is that a constant position, or has it changed over the last year or two?

Mr. Pathe: It hasn't changed over the last year. I think at the time of last year's estimates we had just recently hired two. We had just increased from one to three. There has been no change since that time.

Mr. Mackenzie: In the Labour-Management Arbitration Commission I notice there are three women there too. Only one really, and two of the approved and one of the tentatively approved arbitrators are women out of 65, 53 of whom are active.

Mr. Pathe: Yes. These, of course, are the private arbitrators. Could you speak to this, Miss Johnson?

Miss Johnson: The tentatively approved arbitrator was fully approved at the last commission meeting. We now have three. We also have a new tentatively approved one, so there is a total of four on our list.

[11:00]

Mr. Mackenzie: Is there any move to increase that number, given the organizing of people, particularly in some of the CUPE locals and the number of women in industrial plants in situations such as small mills like the Puretex mill and so on? It would seem to me that we're not overly endowed with female arbitrators or conciliation-mediation personnel for that matter.

Mr. Armstrong: On the question of arbitrators, there is no active recruitment being done with respect to arbitrators. They make application. Let me say there is no dearth of applicants in that lucrative field. So far as conciliation-mediation is concerned, until two or three years ago, there were no conciliation officers who were female and we now have, as you say, three.

Mr. Pathe: We are continually looking. I might say as well that anticipating the heavy case load which we, in fact, experienced this year, our recruitment during the past 12 months has been very heavy on people with extensive collective bargaining experience.

In the earlier round of recruiting during the previous fiscal year, we did hire people. Of the six we recruited that year, I think two were sort of trainees and were both women. It's our intention that in future recruiting, if we can't find women with the experience, then we will hire trainees and train them. There is a commitment to do it and the search goes on.

Hon. Mr. Elgie: In situations like Puretex, a female conciliator was assigned to that job in recognition of the high number of women who were employed in that plant.

Mr. Pathe: Yes, Jean Read was the mediator.

Mr. Mackenzie: It's one of the many places where you could do a little more than just slap the company's wrist over one or two of the issues.

Hon. Mr. Elgie: Sorry, I didn't hear you.

Mr. Mackenzie: It's one of the disputes where a little more forceful role could be played in terms of some of the practices. I am talking about the cameras, but I don't want to get sidetracked. I've had a number of letters from some of the unions about this, but most of them are not critical in terms of the mediation-conciliation procedures. They pretty well generally accept them. However, it's another matter where we get into some of the arbitration problems but mediation-conciliation really is not the major problem, as I say.

On this vote are we dealing with the Kelly commission? I would presume we are dealing with it.

Hon. Mr. Elgie: Yes, it was paid for out of the allotment to industrial relations, so that report would come under this vote.

Mr. Mackenzie: I just have a few questions or observations that I jotted down. I gathered that a question was asked by Mr. O'Neil about the action you were taking or going to take on the Kelly report. I gather your response was that you were asking for some feedback or in the process of getting some feedback on the report itself.

Hon. Mr. Elgie: Yes, I indicated that to date 1,270 copies of the report had been forwarded to various groups, including those who had submitted briefs, to labour unions, industry, to sections of the Canadian Bar Association, to a number of lawyers and to a number of ministry staff. To date, to my knowledge, I have been aware of three responses, two from solicitors and one from a representative of a trade union.

Mr. Bounsall very correctly asked if we had set a deadline for receipt of any responses. I must confess we hadn't, but I think it's a good suggestion, which we will give serious consideration to. Once all of those submissions have been received, I also indicated to him that we would be pleased to compile them and make them available in our library for anyone who wished to review them.

Mr. Mackenzie: We see the report's suggestion that provision be made for opting out of section 112(a) of the Labour Relations Act as a very regressive step and I am wondering if you have any comments on that observation we take from the report.

Hon. Mr. Elgie: Naturally we have had our own internal discussions of the Kelly report. As I mentioned to you before, it is a report we requested because of our concern. It is a report from a man who has been considered a very learned judge in the Supreme Court and I think it would be prejudging the situation if I were to give any comments with regard to particular elements of the report.

Mr. Mackenzie: The report doesn't seem to fully consider the implications of discharge and dismissal grievances, and the clear contradiction which they entail with the proposition that a person is presumed innocent until proved guilty. That is what we got out of it and it bothered us. I am wondering if you have any response to that observation.

Hon. Mr. Elgie: I hope the thoughts you have expressed will be compiled into some sort of presentation to me, a brief of some sort, so that it will be part of the consideration we have to give to this problem. But

let's clearly understand each other: we have the same goals in mind, and they are shortening the procedure, lowering the costs involved and reducing the legalistic approach to it.

Mr. Mackenzie: The report also seems to recommend that arbitrators should not have jurisdiction over questions of law. If this were acted on, it would significantly add to the delays in arbitration as the matter would be tied up in litigation. That scares the hell out of most of us and is one of the reasons we reacted almost automatically to it. What is your feeling on that point? These are fairly major questions I am raising.

Hon. Mr. Elgie: I appreciate that. But again I hope you would agree that to get into prejudging the situation at this stage without input from all interested parties would be a little bit inappropriate. I re-emphasize that those were the very three concerns that led to the commission—the length, the legalistic approach and the costs involved. So we are not at odds about those issues.

Mr. Mackenzie: That is exactly why I am raising them, Mr. Minister. Those points have been a concern for a hell of a long time and the report supposedly was dealing with them. Here we get a report that seems to have missed the point almost entirely in some of the key areas. We now go through another study, another request for input. Where does the damned thing end? That's what I am really asking.

Hon. Mr. Elgie: I think Mr. Bounsall's suggestion was a very sound one. The ministry should set a deadline for receipt of responses and then get on with drafting an appropriate response to the whole problem.

Mr. Mackenzie: I guess the prestige then of Judge Kelly is such that you have to go through the exercise of looking at it and can't start now and do away with some of the further delays.

Hon. Mr. Elgie: You and I have talked about that privately and I talked about it publicly the first day of our estimates. Those are my feelings. It would be most inappropriate to attempt to bypass a report without getting some response to it.

Mr. Mackenzie: Let me try out one or two other points. The rejection of the statutory arbitration boards seems to be totally at odds with the views of most people involved in labour relations. Does that concern you as well?

Mr. Armstrong: Sure that's a concern. As you know, the act was amended in 1975 to

provide for construction industry grievances to be heard by the labour relations board, a system which has worked very well. One of the things we will be looking at as we receive the replies to the Kelly commission report is the reason people say that system cannot be expanded to include matters beyond the construction industry grievances. So that is a matter of concern.

Mr. Mackenzie: What is your reaction to the apparent lack of knowledge or understanding of the effects of having part-time arbitrators? It doesn't seem to show any real recognition of the actual procedures as they are carried out with respect to ad hoc arbitrators.

Mr. Armstrong: I am not sure I understand the thrust of your question. Are you suggesting that the use of part-time arbitrators results in inconsistencies in approach and procedures?

Mr. Mackenzie: I am not sure the report indicates an understanding that this is one of the practices that does take place.

Mr. Armstrong: That's an interpretation of the report you may have, and that is one of the things we are looking at: whether the report adequately identifies the weaknesses of the present system, and whether it acknowledges appropriately the strengths, whatever they may be.

Mr. Mackenzie: I won't try to go to the section, but another thing that bothers me is that it seems to be founded on the mistaken notion—and I just couldn't understand parts of it when I read it—that most collective agreements don't contain a self-designated grievance procedure. Certainly it was one of the first things that was raised with me by a number of the unions. I find that almost incomprehensible in a report dealing with the matters that were raised there.

Mr. Armstrong: I think it is important to be fair. There were two matters raised in the press immediately following the issuance of the report which were characterized as misunderstandings by the commissioner.

One was the point that he was under the impression—mistakenly, I think, quite clearly—that the Ontario Labour Relations Board had the power to actually fix the terms of a collective agreement; therefore, having that power and asking its officers to do some settlement work in the pre-arbitration procedure would be inappropriate, and it would compromise the board's impartiality if the board were given the power of adjudicating.

I think we all agree that was a misconception on the part of the commissioner.

As to that portion of the report which the newspapers said indicated the commissioner felt that most collective agreements didn't have a pre-arbitration grievance procedure, I think in fairness to the commissioner there may have been some misconstruction of what the commissioner was saying.

My recollection is that the commissioner spent some time talking about the fact that there may be a need for a code of practices with respect to the arbitration process itself, and that very few collective agreements prescribed procedural codes for arbitrators to follow when faced with preliminary objections and things of that sort.

To the extent that he said that, I think he was probably accurate. Very few collective agreements prescribe what arbitrators shall do with respect to procedures to be followed in terms of the leading of evidence, the sequence in which evidence is called, the dealing with preliminary objections and so on. So, in fairness to the commissioner, I think there was some media misunderstanding of what he was saying in that regard.

Mr. Mackenzie: It wasn't just media; it was a lot of people.

Mr. Armstrong: All I am saying is that I think one has to be careful and fair to the commissioner in reading that chapter carefully to see whether he was saying what was attributed to him in the press. If he was saying that very few collective agreements have pre-arbitration grievance procedures, then clearly that was an erroneous statement.

Mr. Mackenzie: The whole exercise was to deal with costs and delays. Can you give me an indication in the report where you see it dealing at all with costs and delays in an effective way?

Mr. Armstrong: On the question of delays—others may wish to speak to this—I think the commissioner recognized at least two things. He recognized a need for expedition in a certain category of grievances, particularly those dealing with discharge and discipline, and suggested that there should be some expedited procedure with respect to that limited category of grievances.

I think also implicit in the report was the recognition that the three-man board more often than not resulted in undue delays. One of the things he recommends is the movement towards a one-man board. I think that tangentially touches the question of delay.

[11:15]

Mr. Mackenzie: I guess you may find a little bit of merit in one or two of those points, but even trying to be as fair as possible it underlines the dangers in putting a

justice or a judge in charge of such a commission. The best I can say is there was a hell of a lot of misunderstanding or non-understanding of what the hell the issue was all about. That's really why I find it difficult, given the niceties you must go through, to spend very much time on this. In terms of putting a time limit on it so that we can get down to some real business, do you have anything in mind as to what that time limit may be, the suggestion made by my colleague?

Hon. Mr. Elgie: I have to confess we haven't set a time limit, but it's something we'll put our minds to.

Mr. Armstrong: I think it also should be said that we're not simply sitting idly by waiting for more than three returns to come in. We are working actively on an analysis of the commissioner's recommendations and, indeed, we are working actively on some ideas of our own. To reiterate what the minister says, we are not going to wait an indefinite period of time before reacting or until the 1,270 people to whom the report has been sent have replied. They, of course, never will. I think the suggestion, to repeat, is a perfectly good one, that we ought to set a time after which people are on notice that we are proceeding with our policy suggestions, having given them an adequate opportunity to respond.

Mr. Mackenzie: That's why I'm wondering if it's not possible to sit down with some of the people directly involved in the field and come up with some recommendations very quickly.

Mr. Armstrong: That's why I say I didn't want to give you the impression that the Ministry of Labour is simply sitting on its hands waiting for replies which may never come. We are actively involved in an analysis of the commission's recommendations and the development of some ideas that arose before the commissioner was appointed and that, indeed, were contained in submissions made to him that are in the public realm and are filed with the research branch of the ministry. I want to emphasize that point: that is not an area where there is inactivity.

Mr. Mackenzie: I'm not trying to lay this at the doorstep of the current minister, but there sure as hell were delays even in getting the report, as you'll recall. A number of times we questioned what was happening to it and why it was taking so long. Was there not some triggering of a suspicion that there might be a misunderstanding of what it was all about? Or did the ministry not see it as a priority item?

Mr. Armstrong: The ministry has seen it as a priority item from the start. In fairness, the commissioner had some difficulty in receiving briefs, as I understand it, and as his report indicates was unhappy with some of the initial briefs that were filed with him. As a result, he went on tour and spoke to the people. We would have been much happier if it had taken half the time to produce the report. It was in his hands and he was in fairly constant touch with the ministry, and we reiterated our concern that the report be in our hands at the earliest possible date. More than that, I can't say.

Mr. Mackenzie: On the question of the accessibility of arbitration in terms of the cost to some of the unions—forgive me for just a moment, Mr. Chairman. Possibly someone else has a question he wants to go on with for the moment.

Mr. Chairman: Are there any further questions on vote 2302, items 1 to 3?

Mr. Mackenzie: Don't leave it for a second.

Mr. Chairman: I thought we could carry on and finish the entire estimates this morning.

Mr. Deans: You will never make it as an arbitrator.

Mr. Chairman: I can sure try.

Hon. Mr. Elgie: I enjoyed the air in Hamilton this morning by the way.

Mr. Mackenzie: I have had some real complaints from some of the small unions doing a lot of work recently with the hotel and restaurant employees' and bartenders' group over the costs of some of the arbitration cases they have handled.

Mr. Haggerty: That is the group that is opposed to topless waitresses, is it not?

Mr. Mackenzie: That is but a minor part of their total operation. I notice that in Steelworkers' cases the average total time from date of grievance to the arbitrator's award where there was a board was 345 days and for a single arbitrator 187 days. The UAW survey showed 302 days in arbitration board hearings and 146 days for a single arbitrator. A labour council study in Toronto showed 267 days or 238 days with a single arbitrator.

As for the cost of arbitration cases, the cost to the union, in 345 United Steelworkers' cases was \$313.72. That is for the fees, the union's share. Expenses were \$56.56 for a total of \$370.28. The cost for one day was \$425 plus \$35.50 expenses.

I recall one involving Bridge and Tank in Hamilton that was \$70 in expenses and \$850

in fees, which is not unusual. The total time involved was something like from 10:05 or 10:20 in the morning until 1:30 in the afternoon. As I am sure you are aware, that is causing a number of unions some real serious problems in terms of arbitration.

In an overview more than anything else, it simply means that a small local with limited resources—and I am talking even about a small local of a big union—has a very tough decision to make on whether or not, even if it figures the case is a good one, it is going to go to arbitration. Nothing does more to destroy the whole principle of the procedure and the rights of the workers involved.

If they see they are not going to get a chance to get justice, they may not be able, especially if it happens to be a discharge case or something, to seek redress because they do not have the resources to handle these kinds of costs. It would seem to me that if there is a problem the board should be dealing with, it is these kinds of costs.

I suppose it goes back to the look you are taking at it, but I don't think that can be the answer or the excuse. I think you people have been aware for some time of what is involved in costs in arbitration procedures.

Hon. Mr. Elgie: I can only reassert my previous statement that I don't think we are at odds about the three issues that prompted the setting up of the commission. Mr. Boun-sall earlier today asked for some information about the length of arbitration procedure.

I see Len Haywood is here now. Mr. Haywood, do you have information with you at the present time about the length of various arbitration procedures, the average and median and all that?

Mr. Haywood: The data I have are based on arbitration awards received by the arbitration commission in 1975. It gives some idea of the time taken between various stages of the process. The average time taken between the date of the incident and the date the grievance is filed was 80 days for all cases. For single-arbitrator cases it took 102 days, and for arbitration-board cases it took 60 days.

The time between the date the grievance was filed and the date an arbitrator was appointed was 70 days for all cases; it was 57 days for single-arbitrator cases and 77 days for arbitration-board cases.

The time between the date the arbitrator was appointed and the date he held his first hearing was 71 days for all cases; for single-arbitrator cases it was 58 days and for arbitration-board cases it was 78 days.

The time between the first hearing and when the hearings were closed, the last hearing, was an average of 11 days for all cases, 10 days for single-arbitrator cases and 14 days for arbitration-board cases.

The time between the close of hearing and the date the award was issued was an average of 36 days for all cases; 22 for single-arbitrator cases and 43 days for arbitration-board cases.

The overall time between the date of the incident and the date the arbitrator was appointed was 149 days for all cases, with 160 days attributable to single-arbitrator cases and 144 days to arbitration-board cases.

The time between the incident and the date the award was issued was 289 days for all cases; 275 days for single-arbitrator cases and 295 days for arbitration-board cases.

The overall time lapse from the date the arbitrator was appointed to the date he issued his award was 134 days for all cases, 111 for single-arbitrator cases and 145 days for arbitration-board cases.

Those are the statistics, sir.

Mr. Mackenzie: Mr. Minister, are you satisfied with or can you justify the kind of delays that are obvious there in reaching the decisions?

Hon. Mr. Elgie: I don't quite follow how that—

Mr. Mackenzie: Do you understand the implications of that for the employees and the union involved?

Hon. Mr. Elgie: I think there is an indication that certainly there is a considerable length of time in some cases in reaching an arbitration award. As I have reiterated several times, that was one of the three major reasons that prompted this commission, and that is one of the issues we will be addressing ourselves to in the final determination of a response.

Mr. Armstrong: A couple of comments, think, might be made, if I understand the recitation of the statistics. One is that a good deal of time—and I don't say this in any critical sense—is taken by the parties themselves in the pre-arbitration grievance procedure. That is something, presumably, with in the control of the parties.

The other thing I derive from those statistics is that, by and large, the single arbitrator acts faster, for obvious reasons, than the board of arbitration does.

All of it is in marked contrast to the record under section 112(a), where there is a 14-day time limit established in the act between the date that the application is

made for the board to adjudicate the matter and the date upon which the board must hold its first meeting. So you have some interesting contrasts there between the ad hoc system and the system prescribed by statute.

11:30]

One other comment is that some of the delays that occur in the ad hoc system I think result from the fact that the parties appear to prefer to select the seven or eight established arbitrators, the ones doing the most work in the field. That's despite the fact it is open to them to disagree on the arbitrator to be selected and have the minister appoint an arbitrator who is available because of the fact he is not, as seven or eight of these people are, scheduling three months in advance.

In other words, it could be expedited if the parties themselves were prepared to see the roster of acceptable arbitrators expanded. Yet both union and management appear to favour the use of the seven or eight persons. I find that to be a problem. The volume of arbitration cases to be heard would dictate to me that if we're going to stick with free-lance adjudicators in an ad hoc system, the parties should be less cautious about their readiness to use a wider roster of adjudicators.

Mr. Mackenzie: I think this ties in. May I ask the minister if it doesn't also tell him something about the—I don't know what the best word is—the trust or acceptance of some of the arbitrators to know there are lists constantly circulated in most of the union offices. Arbitrators they don't want or won't touch and at all costs stay away from? Has that ever been a point of discussion within your ministry?

Hon. Mr. Elgie: I wasn't aware of that. Where you, Tim?

Mr. Mackenzie: I'm sure you must have some—

Mr. Armstrong: I am aware that both sides have their preferences. I'm not aware of any sort of black list. But I am aware, having practised in the field, that acting as union counsel I expressed an aversion to certain adjudicators, that's true. I think the same is probably true on the management side.

Mr. Mackenzie: I suspect it is. The interesting point is that there are some who seem to gain acceptance from both sides. There is certainly a core list that come hell or high water you don't touch and that list is pretty extensively circulated. So I think a good part of your panel is just about useless to you in

terms of any real ability to resolve a situation. I'm not sure you shouldn't be taking a little better look at that.

Given the enthusiasm the minister showed about the success of the grievance procedure under section 112(a) of the Labour Relations Act, an obvious question is whether or not he'll consider extending that procedure to cover all industries rather than just construction, the key points being the agreements being dealt with within the 14 days of filing. There is a process for a pre-hearing meeting with the labour relations officer and many of them are settled at that stage. Is that not one of the areas that you should be seriously looking at?

Hon. Mr. Elgie: That will certainly be one of the areas we'll have a look at.

Mr. Mackenzie: What are the reasons or the objections that we haven't had some movement on that? Is it all predicated on the delays caused by the Kelly commission report—waiting for it and now waiting for another look at it?

Hon. Mr. Elgie: I don't think it's a matter of taking another look at it. We're actively involved in reviewing the Kelly report and assessing the merits of each comment. We're receiving the input. I think Mr. Bounsall has quite properly suggested we should put a time limit on the receipt of those comments. As the deputy has stressed quite strongly, this isn't an item we are sitting on. We're consciously aware of the need to get on and deal with this item, within certain time frames. I think that's a good suggestion Mr. Bounsall made.

Mr. Mackenzie: I don't think we can treat very lightly this section, which I'm sure you're aware of, out of the federation brief. This is the section dealing with the study by George Adams:

"The scandal of excessive cost, delay and total inequity of management's disciplinary power to cut off a worker's income continues to discredit the grievance arbitration system of this province.

"The hardship faced by workers subject to disciplinary discharge in Ontario is evidenced by a recent study made by former Assistant Deputy Minister of Labour George Adams. He found that only 15 per cent of all discharge cases took one year to be processed, yet the full penalty of the discharge was upheld at arbitration less than half of the time. Almost one fifth of grievors were completely exonerated for the offence for which they had been fired.

"Even more disturbing was Professor Adams' finding that a worker's chance of

getting his job back decreases markedly with the passing of time. Where the hearings were held within three months, only 29 per cent of the grievors were not reinstated. Where the hearing was held more than nine months after discharge, 74 per cent were not reinstated.

"Could it be that arbitrators have a private misconception that the longer the separation from the job the weaker the worker's interest in returning to it? Figures show otherwise. Despite the uncertainty of reinstatement and the prospect of no back pay, 85 per cent of those ordered reinstated returned to their jobs and 71 per cent were still at work more than six months later."

Just one more paragraph that I think is worth putting in: "Yet even where the arbitrator disagreed with management's assessment of the employee's prospects for reinstatement and substituted a lesser penalty than discharge, such as loss of part or full pay for that period, the result as described by Professor Adams is very harsh. Over 40 per cent of the grievors in this category lost more than six months' pay and over 20 per cent lost more than a year's pay."

I don't know a more damning indictment of what's happening to people than that report from Professor Adams. This is why I guess we are spending the time that we are spending on this and why I am not satisfied with the fact that we're waiting for some more input on the report because of the prestige, if you like, of Mr. Justice Kelly and so on. I just don't think you're dealing with it, Mr. Minister.

Mr. Armstrong: Again in fairness to the commission, the commissioner did devote some considerable portion of his report to the discharge discipline cases and the need for an expedited procedure there. He reflected and exhibited a concern similar to the concern expressed by Professor Adams in his report on the discharge and discipline cases. I think unions and management alike would agree on this point. Really it is in everybody's interest to get these discipline and discharge cases hurried as expeditiously as possible. I think on that single issue there is a consensus.

Mr. Mackenzie: The point I want clearly understood is exactly what that obviously does to the person involved in terms of his chances of getting back, in terms of his loss of income, loss of respect and his ability to get another job. You are doing one hell of a job in the course of this delay that we have been suffering with for a long time now in Ontario in the arbitration field. You are doing

one hell of an injustice to the worker involved.

Hon. Mr. Elgie: No argument about that.

Mr. Armstrong: No argument about that.

Mr. Mackenzie: The question is, why before now—because it has been known for a long time—haven't we resolved it? It is no one of the impossibles, as I see it.

Mr. Armstrong: I agree with that. Without wanting to be too defensive, if my recollection is correct, it was not until the Kelly commission was appointed that there was a serious move to redress this problem. Whatever reservations or dissatisfactions there are with the results of the Kelly commission, the Kelly commission was appointed and its report has been received. It is being analysed and policy recommendations are being formulated.

Mr. Mackenzie: I know you are well aware of this case, it's been discussed and the charges were protested to the chairman of the Ontario Labour-Management Arbitration Commission, but I received a letter from the Peterborough local of the United Electrical Workers, 524, which they wrote to us. It is one of many. I had a bunch of them here today, and some of the bills they had, but I lost them. They are probably up in my office in the wrong file.

It says: "I am writing to relate some experiences that we recently had with the Ontario Labour-Management Arbitration Commission, which is a division of the Ontario Ministry of Labour. We had occasion to process a grievance to arbitration on behalf of one of our members of Local 524 here in Peterborough. We were not able to mutually agree on a chairman so subsequently one was appointed by the Ontario Labour-Management Arbitration Commission, that person being one Dean Beck.

"The hearing eventually took place in the Hotel Toronto in the city of Toronto and lasted for approximately four hours. We received Dean Beck's bill sometime later with charges of \$800 for the hearing plus an additional \$115 for expenses incurred by him. As you will note, this fee amounts to about \$200 per hour for the time Dean Beck was hearing the case. We were later able to find out that Dean Beck in fact did pay the cost of renting the room in the Hotel Toronto and that cost was \$45.

"We eventually protested the charge of these fees to Judge Walter Little, chairman of the Ontario Labour-Management Arbitration Commission. He replied to us in a letter of September 7, 1978, explaining that in his opinion, we got off light. His observations were that Dean Beck charges the lower end

if the scale that arbitrators were allowed to set and in fact could have charged much more than the fees that were charged in this case.

"We think that it's important to point out to you that as well," and I think the next paragraph really is not of concern but, Dean Beck is employed by York University and paid a certain salary. The arbitration work is over and above this salary which I'm sure is being subsidized by the provincial government. I think you would agree with our concern that these kinds of fees take the arbitration procedure out of the hands of many of the smaller unions. It appears to us that if this procedure continues, only large locals will be able to afford these services, which are the final step in attempting to resolve a dispute with the employer.

"It is our belief that these inflated costs are defeating the purpose of setting up the Ontario Labour-Management Arbitration Commission. These inflated costs pass out of reach the rights that should be afforded every worker in this province. We pass this information on to you for your observations and conclusions and we hope that you will take whatever steps you may be able to to correct a situation which we feel is completely unjust."

I want to make it clear I'm not attacking Dean Beck here. I have to set it in perspective the letter because I have no disagreements with his work in this field. The point I am making is the one I have been trying to make all along: This is now general; this is what it's costing; this does remove almost totally the right of redress, and it can be absolutely vital to a person in the case of a discharge, from the hands of small unions. It makes it very difficult for small locals of 10 unions and makes it very difficult indeed even for the large unions.

That's not an uncommon kind of letter and complaint coming in to us. I had a whole series of them from the steelworkers. I mentioned one of them where the cost was a number of dollars expenses and \$850 for a hearing that lasted less than three hours in one of the Bridge and Tank Company of Canada Limited locals. Incidentally, there was a very short award written. I am not sure how much study had to go into it but I looked at the whole file. How in God's name can we expect justice for people who are having to go the final step?

I remind you that in the case of most industrial unions, you don't go that final step without a vote. You certainly don't in my local, the Parkdale works, without a vote at a membership meeting. They know what's

involved. They have to make the decision. You go through the first couple of steps but if you are going to go all the way, you have to have the support or a vote of the entire membership of your local at a meeting to decide that yes, that grievance is worth taking to the final step.

We are in effect denying that right to a hell of a lot of people and increasingly so. What are we doing to very quickly redress that because those are the kinds of things that put the whole area of labour-management relations and the whole belief that the worker may have a right to redress in jeopardy, and in serious jeopardy, I will submit?

Hon. Mr. Elgie: Again, Mr. Mackenzie, I reiterate that we share the concerns that prompted the Kelly commission. But dealing more specifically with the Peterborough local complaint you brought up, I think it's only fair to Judge Little who is chairman of the Ontario Labour-Management Arbitration Commission that his side of the discussion be recorded. If I might quote from paragraph three of his letter of September 7 to the union national vice-president, he says:

"I think if you will reflect on this matter, you will find that your criticism is unwarranted. First of all, you suggest that Dean Beck is charging over \$200 per hour which is manifestly incorrect. He reserved for this arbitration the entire day on which he sat, and irrespective of the length of hearing, the charge would be the same. You overlooked entirely, however, the fact that following the hearing, he had to discuss the matter with his fellow arbitrators and then had to draft the award which must have taken some time.

[11:45]

"Like most other arbitrators, he charges \$800 for a case where he is required to sit for a day or part thereof and for the additional time required to discuss the proposed reward and the actual writing of it. From my own experience on arbitrations, I know that discussing, considering and preparing a final award invariably takes longer than the actual hearing. In fact, it has always in my experience been considered that where there has been a one-day hearing there would likely be an extra two days involved in preparing the finding. I am sure if you consult others, both on the management and labour side of the arbitration process, you will find that the bill rendered in this case is not only normal but fair."

With respect to the particular complaint, I think it's only fair that Judge Little's response also be tabled in the records. But with regard

to the overall problem that prompted the Kelly commission report, I have already made it clear that there is no disagreement about the three issues which the commissioner was to face and to which we are now going to have to draft a legislative response.

Mr. Mackenzie: I also heard you make the point earlier today that this was a lucrative business to be in. It wasn't an individual case, as far as my observation—

Hon. Mr. Elgie: I didn't make that point.

Mr. Mackenzie: Well, somebody made the point—

Mr. Armstrong: I made the point.

Mr. Mackenzie: All right; the deputy minister—that it was a lucrative business; it is a lucrative business, and it's simply beyond the means. As far as I'm concerned, that's symptomatic. As I tried to point out, it wasn't a factor in the particular case I'm making, but it's symptomatic of exactly what the problem is; and it's general.

I had some interesting points—and I'm not saying I'm necessarily in total agreement with them—made by another union that took the trouble to make a number of points. I am just wondering whether there are any of them that you would like to comment on, because they deal with this as well. This happens to come from the Office and Professional Employees' International Union.

"Arbitration procedures: Management shows a habitual reluctance to accept any but the most prestigious arbitrators and chairmen." I understand you can charge both sides with that—not necessarily prestigious, though, but with accepting the ones they feel they may get some fairness from.

Hon. Mr. Elgie: Everyone looks on prestige in a different way, I guess.

Mr. Mackenzie: "This results in the majority of arbitration cases being carried by a majority of accredited arbitrators and chairmen. These are usually top professionals who are not readily available under the best of circumstances." I think you people have pointed that out yourselves as one of the problems. I don't think it's just a case of being willing to accept others, as you mentioned, Mr. Deputy Minister, but the fact that there have got to be others that people will accept. That's one of the problems.

"It would be desirable, in order to speed up arbitration, to restrict the choice of arbitrators and chairmen to persons only who would be available for hearings within 30 days after arbitration has first been applied for by either party. In order to make arbitrators and chairmen more available on shorter notice, the law should and could be

changed in the following manner: The Minister of Labour or the Ontario Labour Relations Board could set definite standards or job descriptions for arbitrators and chairmen and then proceed to appoint such persons full-time for a period of five years, which would enable retired professionals to use fully participate, and either pay them a fixed salary or have them operate on a fee-for-service basis, with a minimum guarantee by the ministry. Any help to reduce the cost of arbitration is appreciated, because this is killing us.

"Restriction of arbitration procedure: The hearings, by the increased involvement of lawyers, take on all the trappings of court cases. As a solution, we would suggest that arbitrators and chairmen have their powers spelled out in the regulations to restrict presentations, examinations and summations to the issue stated in the presented grievance. The rights of the arbitrator or chairman could also include 'to prevent any harassment during cross-examinations.'"

They mention monetary awards by arbitrators or chairmen: "These could be settled within a set period after handing down such awards, regardless of the opposing party trying a legal appeal. Most often, such action is merely taken to gain time and not in the hope of success, and this would stop any nuisance appeals and assure the injured parties of a timely award."

I am wondering if any of those points are considered valid in terms of the discussions you're in the process of going through now, I hope very quickly, in terms of the delays and problems involved with arbitration and the costs.

Hon. Mr. Elgie: My first question is, did the particular union involved in that letter submit that view as a brief to the Kelly commission?

Mr. Mackenzie: I can't answer that for you. It certainly submitted them to me as some suggestions that might be considered in terms of the problems we're facing in this field.

Mr. Armstrong: Whether it did or not, I think most if not all of those concepts are contained in one or other of the briefs that were submitted to Kelly.

I can't help but observe, Mr. Mackenzie, you are very tenacious in your attempts to receive from the ministry substantive commitments as to what is to be done in the light of suggestions of that sort and in the light of the Kelly commission.

Mr. Mackenzie: You understand why, I trust.

Mr. Armstrong: Despite your tenaciousness and despite the very great temptation to say things with substantive content, I really do think it would be unfair to the parties that have taken the time to make submissions of that sort and contrary submissions for us to start to announce policy during the estimates debate. But we are aware of the problems.

Mr. Mackenzie: I am not aware of what action you are getting from management or from the legal profession in terms of the Kelly commission. I am aware that there is stress and frustration and the feeling that the Kelly commission was one hell of a waste of the majority of the unions involved. I think that's the whole point we are trying to make.

As I said and say once again, you are dealing with something that has really profound effects in terms of workers and the ability of local unions to represent their workers.

Hon. Mr. Elgie: I can share Mr. Justice Kelly's concern that there weren't very many briefs submitted. As I have told you already, I have only received three letters, and to make the odds are two to one. One is generally supporting the status quo, another generally expressing disappointment and another generally unfavourable. It is surprising that for this period of time I have received only three responses.

Mr. Bounsall: I have a question relating to mediation-conciliation officers. How many of them are women?

Hon. Mr. Elgie: We have just been through that. Do you want me to run through it quickly?

Mr. Pathe: There are three.

Mr. Bounsall: And on your arbitration panels?

Mr. Pathe: I believe Miss Johnson said there.

Miss Johnson: We have three fully-approved arbitrators; we have two on the tentative list and we have a few applications in now. We are getting quite a response from the cases. I think you will find that another half a dozen will be approved before another year has gone by.

Mr. Bounsall: Is that a recent initiative?

Miss Johnson: I have only been with the commission for a year and a half. When I came on there were two approved arbitrators, but there were no tentative female arbitrators. Recently, the women seem to be hearing a lot at this type of employment and they are applying.

Mr. Bounsall: Are you getting, by and large, acceptance or choice of them by groups needing their services, that is, those that have been approved?

Miss Johnson: Yes, they average as well as male arbitrators as far as acceptance is concerned.

Mr. Pathe: Part of the criteria for making the permanent list is acceptability. They have to have been accepted by labour-management in a number of cases, I believe.

Miss Johnson: Yes, that's right.

Mr. Pathe: Making the permanent list means that they have been accepted in a fair number of cases while on the tentative list.

Mr. Bounsall: How many are there on the tentative list again?

Miss Johnson: Two.

Mr. McGuigan: The minister this morning was at the Ontario Federation of Agriculture conference and was confronted with that rather thorny problem, the matter of third-party damages in disputes which in the agricultural sector is different from in other sectors, I would submit. It gave rise yesterday to a resolution at the convention for a right-to-work law, one that I would not personally support.

It was responded to last night by the honourable member, Mr. MacDonald. I would point out that in agricultural circles, when a dispute prevents the processing or the transporting of an agricultural product, when the dispute is all over you don't go back to the original position, as in the case when the assembly lines closed down; people may have been prevented from buying a car at the particular time but they kept driving their old car another couple of months or so, and the opportunity was available at the end of the strike to buy a new car, and those that were caught on the assembly line didn't rot or didn't go to waste.

I think in the 1975 election the Honourable Mr. Davis made the statement that he would do something to save farm products and farmers from damages as a third party in these disputes. I just wish at this time to point out the reason that farmers pass such a resolution as they passed yesterday, and might appear a bit unfair in their views—because they do have the Farm Products Marketing Act as their safeguard in society, as labour has the Labour Relations Act as its safeguard, and I support their position, as I am sure they support ours.

There is this difference in agricultural matters that is not there, in most cases, in an industrial dispute. A lost market in agricul-

tural matters is lost forever, and in the case of something that goes unprocessed or is wasted, that is lost forever. I would submit that we do need some further system applying to agricultural matters that would allow the product to be delivered or processed in the event that a strike is called by workers who may be justified in their actions.

Hon. Mr. Elgie: Mr. McGuigan, you have raised a couple of issues that came up this morning, and I think since they have been raised it would be appropriate if I indicated what my response to those matters is.

The first issue raised was, what did the government plan to do with regard to right-to-work legislation. I gather that there had been a recommendation passed the day before. In response to that I indicated that different people had different viewpoints on what right-to-work legislation meant. On the one hand there are some people who feel it has to do with increased employment. On the other hand there is the concept—that is probably more widely held with regard to those southern states that have introduced right-to-work legislation—that the sole purpose of it is not to increase employment, but rather, and this is what I eventually had to say at that meeting, to break up unions. I indicated clearly that this minister and this government had no intention of introducing right-to-work legislation of that sort. So let's clear the air about that.

The second matter raised was that strikes during the harvest season cause distinct problems for the farming community, and that is the issue that you have brought up. I have made inquiries as to the number of such strikes during the harvest season, and to my knowledge in the past five years I can only find one, and that was the Libby McNeill strike. It is hard for me, from my vantage point and with the limited experience I have had, to suggest that one such situation requires what was suggested by some people, that we institute virtually a martial law situation in order that it never happen again.

I also indicated in response to suggestions that perhaps there should be compulsory arbitration or final-offer selection that there were certain pretty major problems with each of those decisions. With regard to compulsory arbitration, I think that not only would there be violent objection to it from within the working movement, but there probably would not be acceptance of it from processing plants, even those who value the collective bargaining process. So it's not an easy problem.

[12:00]

With regard to the question of final-offer selection, since it was pursued pretty vigorously at the meeting, I think it's fair to say that at that time I indicated to the questioner my view that final-offer selection on a one-shot basis might have some interesting appeal—but if you projected it over several years and if one party, be it management or labour, was always the winner, then you would have a pretty desperate situation.

Mr. Deans: Or a strike.

Hon. Mr. Elgie: Yes, you literally force one group or the other, if they've lost a consecutive number of times in the shoot-out, into the position where they either have to have a lockout or a work stoppage of some sort. For that reason I have reservations about final-offer selection.

Mr. McGuigan: So do I.

Hon. Mr. Elgie: So I think it's fair to say those are the views I expressed this morning. I share your concern about the harvest season and if there is really solid evidence of an annual problem then it's something one might have to look at. I would also point out to you that those producers with contracts which come up for negotiation during the harvest reason have certainly not been good bargainers.

Mr. McGuigan: If I could just respond to that, I think the farmers were motivated by strikes outside of Ontario which of course don't come within your jurisdiction. They were largely concerned about strikes in the west coast ports and in the railroads two or three years ago that held up the shipments. That was what motivated their concerns.

Final-offer selection is supposed to be something new but I was a party to final-offer selection about 30 years ago in an arbitration award under the Farm Products Marketing Act. I'm not so sure it narrows the gap as you mentioned this morning. People adopt pretty fixed positions. They say, "We're on good ground and we're not going to change our position." I'm not so sure it narrows the ground. I think if there is a solution for this very specific problem with perishable foods and perishable markets it has to be in compulsory arbitration. I know it raises an awful lot of problems for my friends across the room here today. I would suggest it's really in this very narrow field that one could possibly justify it.

Hon. Mr. Elgie: Bob Mackenzie only wants compulsory arbitration on first contracts.

Mr. Bounsall: Could I follow up a point here that was brought up? I share Mr. McGuigan's and the minister's lack of enthus-

ism for final-offer selection. The arbitrators involved in that, particularly those from the several states in which it was in place by legislation as the means of solving the dispute when it arose, were not enthusiastic. This was the case in the dispute with garbage workers in Indiana and so on. Some of the arbitrators were reporting that they felt extremely uncomfortable with it. They said they were doing a normal arbitration they could have arrived at a contract much more acceptable to both sides if they had that flexibility. This would be preferable to having to choose between what was clearly becoming established—the extremes in the situation—and not very often choosing on the various points between two positions that were relatively close together.

Has there, to your knowledge or the ministry's knowledge, been any reversal of those legislative actions? I think it was a couple of years ago that for the first time there was a spate of articles by arbitrators involved in those. Has that been reversed where it's been written into the legislation as the route to go?

Hon. Mr. Elgie: I have no personal knowledge, no. Vic, do you have any knowledge?

Mr. Pathe: No, I haven't heard of any reversals in any of those cases. I don't know of any.

Hon. Mr. Elgie: I'd also suggest you would need to have quite a list of arbitrators, because one would be unacceptable the next time. He would have displeased one of the parties there.

Mr. Bounsall: I am not aware, particularly in the states, of any more areas in which they have opted legislatively for final-offer selection. I would have expected, with the general feeling that arose particularly from arbitrators, and I suppose from both sides as well, that by now there may even have been a reversal legislatively where it has been put in place.

Hon. Mr. Elgie: I don't know. As you know, in areas where it is involved in our legislative documents, it is purely voluntary.

Mr. Bounsall: Yes, and it hasn't been used that often.

Hon. Mr. Elgie: No.

Mr. Mackenzie: Once again, for the record, I am going to try a little different tack.

Hon. Mr. Elgie: You are tenacious, aren't you?

Mr. Mackenzie: I don't have the details in front of me, they are among the sheets mislaid somewhere, so I just listed the costs there but in two particular cases discussed with me by the restaurant employees where

they went to a board, their share of the fees for the chairman in both cases was \$400, half the \$800 fee. Their nominee on the board was \$300 in both cases. Their counsel in one case was \$1,000 and in the other case \$1,500. The expenses in the first case were \$48.59 and \$82.35, and in the second, \$36.58 and \$188.65.

In an attempt to achieve some justice, the cost to this union, which is not a major union, in the first case was almost \$1,900 and in the second case was \$2,300. I use these two fairly recent cases to underline the cost to the union involved in trying to achieve justice for its members.

Let me list some of the powers as I read them, that the commission has under the Ontario Labour-Management Arbitration Commission Act: maintain a register of approved arbitrators; assist in the administrative arranging of arbitration hearings; train arbitrators; sponsor research and arbitration; publish information in respect of awards and processes; regulate the fees paid to arbitrators; regulate the conduct of arbitration hearings; employ full- and part-time arbitrators. Given that authority seems clearly to be there already, why haven't we had changes to deal with the problem we have been discussing here most of the morning?

Hon. Mr. Elgie: I don't think you will ever lose marks for tenacity. I hope you never accuse me or the deputy of not having an avowed concern and interest in this problem. I have made it very clear that no one is sitting on his hands. I have even acknowledged the importance of setting some time limits for the receipt of briefs. I still am shocked that to this date, only three have been received. If that happens then clearly we have to ignore input and get on with it.

Mr. Mackenzie: You will recall I suggested that to you almost the day we first got the report, Mr. Minister.

Hon. Mr. Elgie: Aren't you surprised that there have been only three letters?

Mr. Mackenzie: It is probably seen, given what came out in the report, as a totally wasted effort.

Hon. Mr. Elgie: It hasn't upset many people. They haven't chosen to respond.

Mr. Mackenzie: The concern on this problem has been there and deep for a long time, Mr. Minister. It is concerning and affecting people.

Hon. Mr. Elgie: I know that.

Mr. Mackenzie: I would worry, from the government's point of view, about the ob-

servation of the government's actions on it more than anything else if I were you.

Hon. Mr. Elgie: I have no apologies to make for my interest and concern to get on with it.

Mr. Mackenzie: I said "the government's."

Hon. Mr. Elgie: I am part of that government.

Mr. Armstrong: Maybe I could just add a word. Ultimately, you are going to extract from me some indiscreet statement, I can feel that now. But you quite rightly point out the powers which the Ontario Labour-Management Arbitration Commission has, and they include the power to regulate fees. To my knowledge that power has not been exercised. However, I would point out to you that the Ontario Labour-Management Arbitration Commission is made up of equal numbers of trade unionists and employers and I think it is a perfectly legitimate question to ask why that commission has not, if it is legitimately concerned about the question of fees, exercised the power under the subsection to which you refer. It's a question that may be legitimately asked, I think, of the union members of that commission.

Mr. Mackenzie: The question asked of me by one of the staff people who wrote in from the Steelworkers in one of the towns in Ontario was why doesn't the Ministry of Labour establish an arbitration panel paid for by the ministry so that any local union can take a grievance to arbitration much in the same way a local union can ask for and receive conciliation and mediation where justified?

There is no valid reason for the government not to provide this service through the Ministry of Labour. One of the arguments considered in favour of establishing such a department would be to deal with the exorbitant costs attached to arbitration these days and the inability of smaller local unions to process grievances through arbitration.

Mr. Armstrong: Where we have taken jurisdiction under the act under section 112(a), we have determined the fees. Professor Carter can correct me, but I think the nominal fee that is charged for arbitrations under 112(a) is what—\$100?

Mr. Carter: It's \$200 for a day and is shared jointly by the parties.

Mr. Mackenzie: Just take a look at that by comparison and consider whether or not we are going to establish the right of an employee to have redress.

Mr. Armstrong: I think it would be invidious to identify individuals, but there are

some rather prominent trade unions represented on the Ontario Labour-Management Arbitration Commission. I would expect their concerns would be expressed within that forum on this question as well.

Mr. Bounsall: The minister has mentioned his surprise and concern about the lack of response to the Kelly commission report and the possibility of setting a time limit on it for briefs. How active has the ministry been in soliciting responses? You let it be known that you wanted responses, I gather.

Hon. Mr. Elgie: I don't know whether I have a copy of the letter that was sent out with the reports.

Mr. Armstrong: I don't know whether you've got a copy of the covering letter that accompanied the Kelly commission report or not, but the letter was pretty explicit that we were looking for a response. I think it's accurate to say there has been no follow-up on that letter.

Mr. Bounsall: I wonder if you shouldn't be doing that right at the moment, saying the response has been minimal and that you have had some criticism about the conclusions reached in that report but the response has not been widespread. If one is happy with the report, one would perhaps have expected no response, but if there is some dissatisfaction with it the responses had better be forthcoming. One would hope to have a closing date of such and such a time for responses to it. You could have an urgent letter going out soliciting some responses to that.

Hon. Mr. Elgie: It's a valid comment but I want to assure you that our covering letter did indicate a desire for a response.

Mr. Bounsall: It probably should go out so that they can be made aware of the few responses. From what you've heard during the estimates and what I've certainly heard, there is some dissatisfaction with it. If they are dissatisfied, they had better make the dissatisfaction known.

Hon. Mr. Elgie: Yes, as I've heard, dissatisfaction from both opposition parties has been pretty clear. We'll make note of that in our review.

Mr. Mackenzie: Do you have a breakdown of the number of single arbitrators as against the number of boards per plant?

Mr. Haywood: Of the 862 awards we studied, 561 were arbitration boards and 301 were single arbitrators.

Mr. Mackenzie: Does there appear to be a preference coming from the unions or management as to whether it is a single

arbitrator or a board now? Obviously, the boards are more expensive, but they still are almost two to one.

Hon. Mr. Elgie: I don't have anything.

Mr. Mackenzie: I recognize that that's a problem with some unions.

Hon. Mr. Elgie: Is there any indication of a trend in the statistics?

Mr. Haywood: It would take me a while to read off the statistics, but I think I can let that information.

Hon. Mr. Elgie: Just let us know when you have that.

[12:15]

Mr. Pathe: I think there are still a lot of agreements in the province where the agreement sets out that it must be a board. I don't have any statistics to support it, but my very strong feeling is that the majority of agreements still state that it must be a three-man board.

Mr. Mackenzie: Do you see a move towards a single arbitrator? That is really what we are asking.

Mr. Pathe: I would think that there is more discretion in the agreements that the parties can talk about single arbitrators on a grievance-by-grievance basis. I think that is becoming more prevalent; so they can decide to go either with a single arbitrator or a three-man board. I think there is a trend in that direction.

Mr. Bounsall: But you say there are a material number that still have it written right into their agreements that it be a board?

Mr. Pathe: Yes. And we come across the parties during mediation where that is up for discussion. But there are still a fair number of unions that prefer a board; they like the idea of having someone on the board to represent their interests during the process. But I sense that is changing slowly, though not dramatically.

Mr. Mackenzie: I know the simple economics of it have forced my union to suggest to the locals—and it is not a matter of convincing them in every case—that they go to the single arbitrator.

Mr. Bounsall: You receive all the collective agreements and you extract certain information contained therein and publish it in a certain form. Would it be too much to ask that, perhaps for the next year or two, we keep an eye on that particular point: how many have a stipulation in their contract that it must be a board?

Mr. Pathe: I think that would be something research could do fairly easily. They could review all the collective agreements.

Mr. Bounsall: If they said in their contract that it could be either a board or an arbitrator, just to give themselves that flexibility in the contracts without having to bring up the point each time they went to choose an arbitrator, it would allow for the single arbitrator.

It would be interesting to see how many are locked into the board concept and, therefore, it doesn't really come up for discussion case by case—

Mr. Pathe: That's right. It's not even a possibility in those cases.

Mr. Bounsall: —except perhaps only at contract time.

Vote 2302 agreed to.

On vote 2308, labour relations board program:

Mr. Chairman: We agreed to discuss vote 2308 at this time, and I think we have covered quite a bit of it already.

Mr. Mackenzie: We haven't begun to cover it.

Mr. Chairman: We haven't? I thought you had covered that pretty well, Mr. Mackenzie.

Mr. Bounsall: I think we have a backlog of about three years' comments, because this vote was always the last one and we ran out of time.

Mr. Chairman: I see. So you want to get back at us now for the last three years?

Mr. Mackenzie: Before we get into it, I would like to make a request on behalf of at least one of my colleagues. If we finish the labour relations board today, which undoubtedly we will, I would ask that, if possible, we go to a vote other than the next one, which is the women's program. Marion Bryden will not be back until tomorrow, and I am afraid we cut her off on some points she wanted to make on vote 2301, ministry administration program.

Hon. Mr. Elgie: Mr. Mackenzie, we do have a bit of a problem. Ms. Clarke, do I understand correctly that you are leaving tonight for Ottawa? How long will you be away?

Ms. Clarke: Two days.

Mr. Mackenzie: Is there any reason it couldn't be on next Tuesday, then?

Mr. Chairman: I think that can be arranged, Mr. Mackenzie.

Mr. Mackenzie: It would save my skin if it could be.

Hon. Mr. Elgie: I noticed you were getting whipped a little the other day.

Mr. Chairman: She has control over you, does she?

Mr. Mackenzie: She certainly has her arguments that she wants to make, and I may have been partially responsible for her losing the time.

Hon. Mr. Elgie: I think the phrase is "she quietly rebuked you for cancelling last Tuesday." Is that fair? That includes women crown employees too, does it, Robert?

Mr. Chairman: Do you have any comments on vote 2308, Mr. Mackenzie?

Mr. Mackenzie: Mr. Chairman, may I make the suggestion that we start maybe 10 minutes early and do the whole thing at once? We're within eight or 10 minutes of adjournment now.

Mr. Chairman: We were 15 minutes late getting started this morning, though.

Mr. Mackenzie: It still counts as two and a half hours, doesn't it?

Mr. Chairman: No.

Mr. Mackenzie: Well, we'll have to make it up somewhere.

Mr. Chairman: We only clock the time from when we actually start, Mr. Mackenzie.

Mr. Mackenzie: Start at 1:30, Mr. Chairman, I make that suggestion.

Mr. Chairman: That's perfectly all right with me. What about the rest of the committee members? Any comment on starting at 1:30? Agreed?

Some hon. members: Agreed.

Mr. Chairman: We will start at 1:30 this afternoon. The committee recessed at 12:21 p.m.

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Ontario

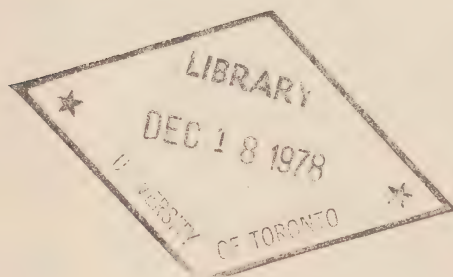
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No. R-47

Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee
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Second Session, 31st Parliament
Wednesday, November 29, 1978
Afternoon Sitting

Speaker: Honourable John E. Stokes
Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 29, 1978

The committee resumed at 1:47 p.m.

ESTIMATES, MINISTRY OF LABOUR (continued)

Mr. Chairman: I see a quorum. We have completed vote 2302 and we'd agreed to start on vote 2308, labour relations board program.

On vote 2308, labour relations board program:

Mr. Mackenzie: There are a number of things we'd like to deal with and ask some questions on. One of them is the first contract settlement. We would like a response from the minister as to where he's at or where he's going in terms of first contract settlements.

Hon. Mr. Elgie: I presume that's the topic we discussed the first day, proposed first contract arbitration as it exists now in the British Columbia legislation. Is that what we're talking about?

Mr. Mackenzie: That's part of it, yes.

Hon. Mr. Elgie: As I mentioned at that time, I'm never opposed to reviewing a subject, but there are several sides to that story, as you know. It has always been a pretty solid position taken that contracts obtained by negotiation are more likely to be lasting contracts. Secondly, there's the position noted in British Columbia, that of those first contracts imposed by arbitration, a significant number fail to reach agreement on second contract.

I appreciate that on the other side of that, people like Paul Weiler and others suggest that having it in legislation encourages parties to reach a first contract. All I can say in response to that question at the moment is I have asked for information about the first contract imposition situation in British Columbia and we propose to follow their progress and see if it is a useful tool and if it has relevance to this setting here.

Mr. Mackenzie: You put it in a more general way, but you're aware that what we're really talking about are the smaller number of employers who have decided that come off high water they're not going to have a union. I think you're giving it a connotation that's not necessarily there. A decision has

to be made at what point you're going to impose a first agreement. Most unions, once certified, are able to negotiate a first agreement. You are dealing with a situation where, for whatever reason—and I submit to you that in most cases it is a management position, not a union position—there are provisions they are not going to accept or they are not going to have a union.

I think some of the statements of Mr. Turner at Fleck were a very good example of that particular attitude. As you have also indicated, there is no way of measuring the number of situations that would have been prevented or the number of agreements that would have been reached because of the possibility that there can be a first contract settlement under legislation.

The fact that there have been troubles with some of the second contracts really is not the key to this particular issue, although it may be something we have to look at somewhere down the road. I think you should also be aware that it is not a position that was arrived at lightly by the trade union movement. I can remember many long debates over whether or not this kind of legislation was adequate. It was frustration at what was happening in the number of first agreements that weren't being settled that changed it around over a period of years. The position that has now been taken is certainly not unanimous, but the last couple of votes I can recall, not only at Ontario Federation of Labour conventions but at the various affiliates, have been overwhelming in calling for it. It is a position they have arrived at after some real soul searching.

Once again, now that there are possibilities for it and it does exist in other provinces, how long do we wait? How long are we going to look at it, study it and assess it? Do we have to go out to another bloody commission or something? Isn't it an area, once again, where the Minister of Labour and the Ministry of Labour, given the responsibilities they have, could initiate some action? In most of these things, Ontario seems to be second and not first in taking the lead.

Hon. Mr. Elgie: There aren't many areas we have been second in.

Mr. Mackenzie: In some of the key ones that cause us problems we have been.

Hon. Mr. Elgie: Not many. If you look at most of the legislation that is around we tend to be the leader in many areas, and you know that. But knowing your own abhorrence of compulsory arbitration, and having heard you express those views very effectively—I remember having talked to you personally about it—your own suggestion now that there be a first contract compulsorily imposed is something that must have taken you a long time to reach. I agree with you that there is not unanimous opinion among working people that it is the right road to take.

Mr. Mackenzie: A very heavy majority has swung around to that view over the last few years.

Hon. Mr. Elgie: Even those that are in the majority—I have been at meetings where some of them spoke—have acknowledged that there is some problem with the concept of imposing a first agreement, but they feel the benefits may outweigh the drawbacks.

Again, that simply is a reflection of the fact that there isn't unanimity of opinion even in the labour movement. That doesn't mean that it's something we still can't keep in mind and can't follow. If it is a tool that is important, we can give it consideration.

I think the deputy had the opportunity the other day to talk about second agreements. Do you have any information about that at hand?

Mr. Armstrong: I was just asking about that. Do we have the most recent statistics from BC?

Mr. Haywood: No, I'm sorry we haven't got them.

Mr. Mackenzie: You are aware that that argument was used by your predecessor. I think Mr. Weiler pretty well did away with it, from the subsequent piece I saw.

Mr. Armstrong: That is perhaps one way of putting it. His argument is that the deterrent effect against bad-faith bargaining operates, but it is one of those things that is hard to quantify. His argument, as I understand it, is that the very small number of situations in which first agreements have had to be imposed indicates a measure of success in deterring bad-faith bargaining.

Mr. Mackenzie: I am glad you raised the word, because that was the next comment I was going to make in response to the point the minister was making. One of the reasons somebody with an abhorrence of compulsory arbitration has in moving to such a position

on first contracts is that it is an answer or an attempt to answer an employer who just simply will not accept the fact that the employees have a right to a union in that plant. That happens in most cases, in my honest opinion.

Some of that is as a result of the inability—and I will admit this may be a problem even in the labour movement—of most people in the field, and the inability of the ministry as well, to come to grips with what is or what isn't good-faith bargaining. It is unfortunate that some of it is a feeling, albeit a strong gut feeling, in many cases that there is not a serious effort at good-faith bargaining.

It is trying to come to grips with what the hell is good-faith bargaining which is causing us a lot of trouble. That's one of the reasons you find yourself going some other routes, because you can't come to grips with that problem as well. That's one of the reasons you have some of us taking a look at this route. I don't really think there is good faith in some of the bargaining that goes on.

Hon. Mr. Elgie: Do you have any statistics on how many first contracts have been imposed in BC?

Mr. Armstrong: Mr. Carter or Mr. Saxe may have something on that. Do you have any precise statistics on that?

Mr. Carter: I don't have the numbers with me.

Mr. Armstrong: I think it's been a very small number.

Mr. Carter: Around 10 or 12, I think. The very fact that they had that legislative possibility has caused the settlement of an unknown number of first contracts between the parties; we'll never know.

Mr. Armstrong: That's the argument.

Hon. Mr. Elgie: Were there any other changes introduced at the same time which might have influenced the process as well? I'm not aware of them; do you know anything about them?

Mr. Mackenzie: With respect, Mr. Minister—I keep on with this point—your comments, as I recall them, are something like the eight or nine similar answers I got on the thing I was raising earlier this morning, "we'll keep it in mind; we'll follow it up." I take it there is no firm commitment to do something about it?

Hon. Mr. Elgie: I can't give you that commitment. I can agree to review it, but I can't give you a policy commitment.

Mr. Mackenzie: In other words it's not in works; certainly not in the foreseeable future?

Hon. Mr. Elgie: It's not in a work plan priority that I have at the moment, no.

Mr. Bounsall: Is this because you're sufficiently new in the post, Mr. Minister, that you haven't yet had time to get a handle on the problem areas and this wasn't one taken from the old minister; or do you and the ministry have your minds made up on this issue? You said you would review it. It has a rather ominous ring about it, in my sense that a decision has been reached within the ministry not to do it and it is not a kind of a decision that you're reviewing. Is that the situation we're in?

Hon. Mr. Elgie: There's been no decision made to consider first contract arbitration. There's been no decision to consider it further. It isn't an issue I have applied myself to as yet.

Mr. Bounsall: This is the point I'm making about your being new in the ministry. I gather you're saying that it is not the situation that a decision has been made within the ministry, with due consideration, on first contracts, and that the decision made has been to reject it.

Hon. Mr. Elgie: No, not to my knowledge. That's been a decision made in the past and I'm not aware of it.

Mr. Bounsall: So that decision hasn't been made. The review you refer to simply is one that let's have a look at the problem?"

Hon. Mr. Elgie: Yes.

Mr. Bounsall: Let's see whether or not it could be instituted? There's no history of rejection of the idea by the ministry, having given it due consideration.

Hon. Mr. Elgie: That's true.

Mr. Bounsall: We've been bringing it up two or three estimates, Mr. Minister. I would certainly hope you would give a commitment to undertake that kind of review within the ministry—a good hard look—and move forward with recommendations.

Mr. Mackenzie: It's also been a point in discussion from the labour federations. I take it the answer really is, "no, we're not going to do it."

Hon. Mr. Elgie: That isn't what I said. I didn't say it's something I'm always interested in looking at, but I'm not prepared to give any firm commitment at the present time; and I'm sure you wouldn't expect me to.

Mr. Deans: Isn't it fair to say that you've been before you for some long period of time

the option of adopting some mandatory first contract legislation, and to this point you have not been convinced of the validity of it? The position you're operating from is, "you have to prove to me it will work before we will implement it." One can draw the conclusion from that quite easily that you have rejected it, subject to some clear hard evidence that it is actually working successfully in some other jurisdiction.

Hon. Mr. Elgie: Many things that were amendments to the BC labour code, including the business of a mandatory vote on offers, were discussed in the Legislature last week. I'm sure you don't mean that simply because another Legislature passes something we should immediately adopt it.

Mr. Deans: No, no.

[2:00]

Hon. Mr. Elgie: There has been a tradition in this province, as Mr. Mackenzie said, of opposition to imposed arbitration. Although he indicates now the majority have come around to the point that they feel imposed first contracts would be worthwhile, there still is a group, even within the labour movement, which doesn't favour it. Let's be honest about it. And we all know that a first contract that is reached by negotiation has a much better chance of surviving.

Mr. Deans: But the problem is this: Where there is a possibility of a first contract being reached by negotiation, it will be reached in any event; so you don't undermine that process by some movement which will come to grips with the fringe element that decides, for one reason or another, that it doesn't want to become involved in what is a generally accepted method of dealing with employer-employee relationships.

Without going into the detail of it, the most obvious and evident case is the one we have completed fairly recently at Fleck, where for a long period of time I had the distinct impression that management did not want a contract and that, for whatever reasons, they felt it would be in their best interests to hold out and ultimately not to have a union.

If the legislation by itself brings about a better bargaining situation, if it does augment the good-faith bargaining that is already questioned frequently, then it probably makes some sense if for no other reason than that.

If there are problems with second agreements as a result of bad-faith bargaining, which I think is likely to be the reason it is a carryover from the original contract, then surely we should address ourselves again, God knows for the umpteenth time—

Hon. Mr. Elgie: To imposing a second contract?

Mr. Deans: No, no—for the umpteenth time to the question, how do you deal with good-faith bargaining? How do you do that? You can't legislate good faith.

Hon. Mr. Elgie: What is good faith?

Mr. Deans: Maybe, therefore, we are going to have to look for different terminology. Maybe the term "good-faith bargaining" is so ambiguous in itself that it doesn't afford anyone a reasonable opportunity to look at what is taking place and to make a judgement about it.

If somebody has been attempting to negotiate for the better part of a year, having put forward an original position, and there has been no offer forthcoming of any kind, then I would think not only is that not good-faith bargaining, that isn't bargaining at all.

Maybe we are hanging our hat on the wrong term. Maybe good-faith bargaining is something we should take a serious look at and see whether or not, as a criterion, it is the proper criterion to use.

Hon. Mr. Elgie: Was there any action or complaint lodged about bad-faith bargaining in the Fleck situation before the Ontario Labour Relations Board?

Mr. Carter: There was a consent-to-prosecute application, and one of the charges was that they did not bargain in good faith.

Hon. Mr. Elgie: What happened?

Mr. Deans: They dropped it once they started bargaining in good faith.

Mr. Carter: The consent was given by the board. I don't think the prosecution ever took place.

Mr. Deans: No, it didn't.

Mr. Carter: The charges were dropped.

Mr. Deans: The normal procedure is that, when they finally get down to settle, when they sit down at the bargaining table and they reach an agreement, the agreement carries with it a freeing from all penalties for everything that has taken place. That is how things work.

What I am really trying to get at is this: Many times in the last number of years those of us who follow these things have felt that there is evidence of an unwillingness to bargain. There doesn't appear to be any attempt being made by—and let's say, for the time being, by one side or the other; so that we can deal with it in as reasonably non-partisan way as possible—there is evidence that one side or the other simply isn't bargaining. However, getting consent to prosecute on good-faith bargaining isn't just that

easy. I just wonder if maybe we are becoming hidebound, tied to a phrase that may not have any clear meaning for a great many people who have to deal with the process.

Mr. Mackenzie: Mr. Minister, has the ministry tried—maybe it is something I am not aware of—to either define exactly what is implied in good-faith bargaining or bad-faith bargaining, and have you looked, as has been suggested by my colleague, for some way of quantifying it or some way of setting out something other than the words "good-faith bargaining" or "bad-faith bargaining," which nobody seems to be able to come to grips with?

Mr. Armstrong: The chairman may want to speak to this. The board's jurisprudence over the years, not simply during his tenure but before, discloses a number of instances where good- and bad-faith bargaining has taken place. So you can put the jurisprudence together—it would be great grist for the thesis mill—and come up with a definition based upon existing jurisprudence as to what in particular circumstances is or is not bad-faith bargaining.

More specifically, in answer to your question, surely there are always going to be elements in any law, and especially in something as amorphous as some of the concepts that are necessarily used in labour relations where you are going to have to rely on jurisprudential construction of phrases.

Mr. Mackenzie: That scares the hell out of me, by the way. I dislike the legal terminology. I would like to know how you define what is bargaining in good faith?

Mr. Armstrong: I think we are all striving in this world in this and in a lot of other areas for certainty. It is one of the problems we have today. All I am saying is, we are not alone in this area. I don't think any other Canadian jurisdiction has attempted to codify what is and what isn't bad-faith bargaining, but you can look at the labour relations board's decisions and you can find out in specific circumstances what is and what isn't bad-faith bargaining in particular cases that have arisen.

I don't know whether you want to add anything to that, Don.

Mr. Carter: I just might comment that it is a tough problem to answer because, as you are aware, collective bargaining is an economic exercise and people bring economic sanctions to bear, so it is a tough game that is being played. Yet you have to determine when some conduct is legal and other conduct is illegal.

Mr. Deans: Surely that is not what we are talking about. That is what worries me about the process. I understand that the simple solution to it is, of course, to look at the record and to see what was upheld and what was dismissed and the grounds for it. That we are talking about is a different thing. It is not whether someone did something that was legal. They are required by law to bargain in good faith—required by law to bargain in good faith—but you don't know what that means.

In other words, is bargaining in good faith making one offer? Is bargaining in good faith saying: "I can give you no more"? Is the person saying it may in all good faith be saying: "I can't give you any more." It may not be that economically they can't give you any more; they have just decided for their good reasons they can't, and from their point of view it could be all in good faith. I understand that this is one of the exercises you go through every once in a while and away we go and next year we, or some of you, will chat again—I just want to be clear about that—but the thing that worries me is that if we are just looking at the legal aspects of it, they could conform with the law. The meetings could be held. They could sit down. They could, in a very marginal way, change a word here and there, and this happens. I have seen it happen so I know it happens, where a word or two is changed across the table. There really aren't the grounds for a request for consent to prosecute. You know that nobody is bargaining in good faith because there is nothing coming forth from either side.

What I'm really concerned about is that there is a feeling the term itself is creating the problem. If no one else has come to grips with it, then let's be first. Let's take a look at the requirements in terms of the bargaining.

What do you see? You're sitting on the bird; I appear before the board and I say that company X is not bargaining in good faith. What do I have to prove to you in order to get consent to prosecute?

Mr. Carter: You've put your finger on the problem. It's essentially a question of fact. You can't tell what good-faith bargaining is until you look at the fact situation. At that point, the board can determine whether the tactics used really are destructive of the bargaining process. The board makes that decision and a remedy is going to issue. But it's essentially a question of fact. That's why you don't have a neat, legal definition. I don't think you ever could.

Mr. Deans: You don't think it's possible?

Mr. Carter: I don't think it's possible because each bargaining situation is different.

Mr. Deans: Doesn't that tend to create the situation where a person could prolong negotiation unnecessarily? It's not easy to determine what bargaining in bad faith is and how the board will make judgments about it, so they can afford to play the game out until months, years nearly, go by, knowing full well that in the end all they're going to have to do to satisfy the consent order is sit down and reach an agreement.

Mr. Carter: If that sort of conduct goes on and it's brought before the board, it's quite possible the board would adjudge that conduct as being a failure to bargain in good faith. It's essentially a question of fact.

Mr. Deans: Okay, so now you've decided it's bargaining in bad faith. You've said, "This is failure to bargain in good faith. You may not be bargaining in bad faith, but it's failure to bargain in good faith." You've given consent to prosecute, the aggrieved party determines that it's going to go ahead with the prosecution. But immediately that begins the other party says, "Hey, look, I think we can get a settlement here." So they sit down together, get their settlement; and that's the end of that. At some future date we begin the process all over again.

Is there a record kept? There isn't, probably; because there aren't a sufficient number of requests to keep a record, I suppose. The thing that worries me is that all that's required to satisfy the order is that you get your settlement. You've already gone through all that period of time, up to a couple of years in some instances, before you ever get that far; and there is no follow-up to it. At that point everything drops. Everybody's happy and away we go again. Maybe bargaining in bad faith, once determined, should be pursued.

Mr. Carter: There's one point I'd like to clarify and that is that there are two routes to go if there's a complaint of bad-faith bargaining. One is to apply for a consent to prosecute. The other is to go to the board directly and ask the board to grant relief. Most of the complaints we get follow that second route. In other words, the board is asked to grant relief. The consent to prosecute route is essentially an exception to the rule.

Mr. Deans: When the board is asked to grant relief, what form does it take? What then happens?

Mr. Carter: There are three forms of relief the board will issue. One will be a bargaining

order, which essentially tells the parties they've gone wrong and to go back to the bargaining table and do it properly. The board has also indicated that in certain circumstances it will grant damages.

Mr. Deans: How often has that second one been followed?

Mr. Carter: The board has yet to grant damages, but it indicated—

Mr. Deans: So that has never been used.

Mr. Carter: It does have the remedial authority to grant damages.

Mr. Deans: But historically it has never been an authority that has been pursued?

Mr. Carter: You've got to keep in mind that the board has only had a direct jurisdiction over bargaining since the 1975 amendments to the act. The jurisprudence is still being created; it's essentially only three years old.

The third remedy available is to take certain items off the table. The board has indicated that if a bargaining demand is illegal or inconsistent with the Labour Relations Act, that demand has to be taken off the table.

Mr. Deans: How often has that happened?

Mr. Carter: That has happened on one occasion.

Mr. Deans: If a matter is illegal I can understand that that would happen. But it doesn't deal with the many other items that may well be legal but are not acceptable.

[2:15]

Let me go back. You have got three avenues to pursue. You can tell them that they have gone wrong, to use your term, and that they have to get right. What sanctions can you then impose if you are not happy with the outcome?

Mr. Carter: The board's order can be filed in court and enforced as a court order.

Mr. Deans: Has it been? Is it, normally?

Mr. Carter: It has on occasion. Normally people comply with board orders. That has certainly been our experience.

Mr. Mackenzie: How many have we had?

Mr. Carter: On bargaining? A dozen, I think?

Mr. Mackenzie: Since when?

Mr. Carter: Since 1975.

Mr. Mackenzie: Where you have had them, they normally complied?

Mr. Carter: One would guess that they have, because the enforcement procedure hasn't been used.

Mr. Deans: Do you follow it up? Let's say there are 12 cases. In those 12 cases, would you have a history of what then happened as a result of your direction?

Mr. Carter: I don't know whether we have had any follow-up studies.

Mr. Deans: Would it be useful to see just exactly what happens when the board moves in and says: "We're not satisfied with the way this bargaining is taking place. Sit down and bargain"? It might be helpful if we could see just how long it then took from the time the board made that determination until the time the parties reached an agreement.

Mr. Carter: Yes.

Mr. Deans: It might even be useful as an exercise—maybe it's an academic exercise, but it might be more useful in other terms—to look at what that agreement was as opposed to what was going on up to the time they appeared before the board. The reason being that it's entirely possible that that avenue is not being used sufficiently and maybe this is the problem.

If I can use Fleck as the example, it's the most recent one, in that situation I would guess that if I had been involved I would have wanted that matter before the board some time previously. I think there was clear evidence of the deterioration of the relationship some long time before it finally came to the board, and given what you are saying about the board's directives, that matter may well have been able to be resolved some time before, if the board's persuasive power is as strong as you say it is.

Mr. Carter: I think the board has made it clear in its jurisprudence that if people want an effective bargaining order they should come quickly to the board, they can't let the situation deteriorate. Otherwise, you may have great difficulty in fashioning an effective order.

Mr. Mackenzie: Would you not have seen before this some interference or some initiation by the board of quicker responses in some of these cases as one of the ways that you bring some order to the whole question of bad-faith bargaining? The number of cases that have happened since 1975, the route might as well really almost not exist. The Fleck case has been mentioned. Why wouldn't there have been some initiative very quickly by the board, not waiting for the parties in a situation that was so damn obvious?

Mr. Carter: I think the answer to that is we are an adjudicative agency. Parties bring their complaints to us; we don't go out

looking for business. I should say we have 2,000 cases a year so we certainly have enough business as it stands right now, unless we get an increase in complement.

Mr. Mackenzie: Not many of those are directly related to bad-faith bargaining.

Mr. Carter: No, no. In fact, half of them would be certification applications. That's the bulk of our case load.

Mr. Mackenzie: But bad-faith bargaining is at the core of a lot of our troubles.

Mr. Deans: Let me ask you about this again and let me try to put two parties together for a moment. You have a conciliation-mediation-arbitration system on the one hand, conciliation-mediation taking place more frequently, hopefully. As a result of the opinions of the ministry personnel who are involved in disputes, generally speaking it would become apparent to them and to the ministry what the future held for the negotiations; whether they were likely to get a settlement, how long this would likely drag on. You can't ever be sure, but you get a sense of that. It seems to me if it is evident to the officers who are involved that there is bad faith bargaining, in other words there is nothing happening and one side or the other is not moving, maybe there has to be a way for that information to become available to the board.

Mr. Carter: I think you've got a problem here. When you've got tough disputes, you've got essentially two approaches. One is straight conciliation, where a conciliation officer tries to bring the parties together. I don't think the conciliation officer can act as a monitor of bargaining and report back to the Ontario Labour Relations Board.

Mr. Deans: He has to file a report though, and he or she does monitor the bargaining. They do monitor the bargaining, that's their job. They attempt to find some common ground; they're working all the time to put together something that will save the day, more or less. They must make judgements because they must write a report.

Mr. Carter: I think you have a problem if you have a conciliation officer who is going to come in and make value judgements, and report back facts which may become part of a board hearing later on. I think it's important to keep the conciliation process separate and apart from the adjudicative function which the board has.

Mr. Deans: I don't deny that maybe well be true. I think what we're groping for—and we're groping, I think a lot of people are looking for ways to solve difficult situations.

Maybe we are a little hidebound. Maybe we are traditional in the way we see things. Maybe we have to look at—I hate to use Gordon Walker's term, my God—

Hon. Mr. Elgie: Create a work place in the work force; "Work-fare."

Mr. Deans: No, not that term.

I think it might be helpful if we stood back from it a little bit and took another look. I think the processes we have in place work well for the purposes for which they were designed, but they don't meet certain very difficult situations.

One of them is the one my colleague raises. It may be that either we have to find a way to use those processes better or we have to find a way to learn from the way in which they're presently being used to design something that can accommodate these very difficult situations. Maybe we should not have to wait until they have been at each other's throats for months and months on end and end up before the labour relations board.

I think of the work done by the conciliation service, for example; probably when they do get to the point where they don't believe they're going to be able to effect any kind of conciliation, the work they have done should become a part of another process in trying to avert the ultimate problem which is major confrontation with people sometimes going to jail. That's what happens. Hard feelings that last for years, families that don't talk to each other. I'm not trying to dramatize it, it happens. Maybe we leave too large a gap between the two processes.

Mr. Mackenzie: Can we back up on this just a moment to a point that was made? Professor Carter stressed trying to separate the conciliation and the adjudication processes. That may be a necessity; I think I see the point you're making. Let me also state that I know damn well there are many cases when a conciliation officer in a dispute knows damn well that the position of one side or the other has hardened and exactly what they're not going to do from that point on. Is that not at least a source of information, or a tool that can alert the board that maybe it should be taking some initiative, whether it is basically an adjudicative body or not? Where is the responsibility in the ministry. That's really what I'm asking?

Mr. Armstrong: It's clear that under the act the board has no initiating power, Mr. Mackenzie. Whether that's right or wrong, that has been the law as long as the Labour Relations Act has been in existence. The board only acts, as the chairman says, when somebody brings a dispute before it. This has

arisen on a number of occasions and various ministers have said that. Neither the minister nor the board has the power to initiate a proceeding.

Mr. Mackenzie: One of the things that bothers me is that I had clearly understood from Professor Carter that you didn't see any possibility of success—I'm not just sure how you put it—in trying to define the problem we face with bad-faith bargaining, because each case rested, really, on the merits of that particular situation. It seems to me that we are beaten before we start if that is going to be our approach to this.

Mr. Armstrong: Not necessarily. This really flows back into a previous vote in Mr. Pathe's area. It seems to me the most productive way of solving these things is through new mechanisms for bringing the parties together. For example, we have now the disputes advisory committee approach, which was introduced in 1975 and which played a very constructive and in the ultimate sense, I think, a decisive role in settling the Fleck dispute.

I guess all I'm saying is that with some of these newer and more imaginative approaches whereby, as you know, under the disputes advisory committee concept there is a representative of the employees or the trade union and a representative of management, because of their knowledge and standing with the respective principals or constituents they are able to persuade the party or parties who may be guilty of bad-faith bargaining or inflexible positions to modify them so that ultimately the sides come together.

I must confess a degree of cynicism about the ability of an adjudicative tribunal to solve problems which are essentially relationship problems. You can issue directions, you can give consent to prosecute, people can be fined, but ultimately somebody has got to persuade somebody else to do something. I think the solutions lie in that area rather than in the adjudication area. I don't know whether you have anything to add to that, Vic.

Mr. Pathe: The other thing that we are doing now is the conciliation and mediation services branch gets sort of advance warning from the board of new certifications that would appear to be troublesome; where there has been a petition or a protracted fight at the board over bargaining rights or composition of the bargaining unit, for a very recent period of time we have been getting warning of that. The plan is that on those cases we will contact the parties before they make an application for conciliation. Usually by the time they do that, they have had four or five

meetings across the table, and very tough and firm positions have been taken; it is very often too late to persuade them to change at that point.

From our experience, it really is an attitudinal problem we are dealing with. Mr. Mackenzie mentioned the small employer; and that's usually where we get the problems. He has built his business up to a certain level and suddenly, one morning when he arrives at the office, in the mail there is an application for certification. All types of fears loom; he has suddenly got a new partner, the way he sees it, and one that doesn't have any investment in the business. He is threatened.

Our hope is that, by getting someone out early, in some cases—we may not make it in all, but at least in some cases—we will be able to allay those fears. There are cases where they don't get counsel on the requirements of the act; I think our people could explain some of their obligations under the act and, it's to be hoped, develop some positive attitudes before the bargaining begins. We haven't done that yet in any significant way.

Another thing I am looking at is whether we would conscript, on an ad hoc, part-time basis, some people from management—maybe retired people who have credentials in the management community—to go out and do that, on the theory that they will be more persuasive with an employer than will a mediator, because they come from that side of the system.

I am hopeful that something can be done in cases where we get the early warning; the board has recently developed this system of notifying us, and we are in the process of putting it together. I think it has some promise.

[2:30]

Mr. Mackenzie: I wouldn't disagree with you at all on that particular point.

Can I ask for your reaction to one of the paragraphs in the Ontario Federation of Labour brief, where in dealing with bad-faith bargaining it states: "It has become quite clear that the Ontario board's cease and desist power is ineffective in the matter of bad-faith bargaining determinations. The DeVilbiss case, which was a first contract dispute, was also the first test of the board's new remedial powers under the 1975 amendments. The consequence of the board's order to the employer to resume negotiations and to conduct itself in good faith was that the union was unable to obtain a first agreement and then lost its certification and bargaining rights.

"The board was not asked to deal with how to enforce its order. It's interesting to note that the board granted only four applications for consent to prosecute for various contraventions of the act in the year that ended March 31, 1977. It was regarded as extremely difficult, if not impossible, to obtain the contempt of court citation and penalty from the courts for a matter as difficult to pin down as failure to bargain in good faith."

Mr. Carter: Is that question directed at me?

Mr. Mackenzie: I guess at the minister, but I am not sure who will end up with it.

Hon. Mr. Elgie: Can you comment on that, Mr. Armstrong? I really don't have the background.

Mr. Armstrong: I think perhaps the chairman is in the best position to do that. I can augment his answer, if you like.

Mr. Mackenzie: I think it was clearly and specifically zeroing in on this from the OFL's point of view.

Mr. Carter: I think there are problems when you try to apply an adjudicative process to a bargaining system. We've already dealt with that. Frankly, I think it's much better to negotiate than to litigate. The board's remedies probably work in some cases, but not in all cases. The idea of a follow-up study is a good one. I'd like to get some concrete facts to determine how valuable the board orders have been. I just can't give you an answer.

Mr. Mackenzie: I don't think there are any of us who disagree with the preference for negotiating rather than the adjudicative process, but the point we still get back to is where there is good faith and where an employer just decides he's going to take that god-damned union on. He's willing to pay the price for it. That doesn't provide the workers with the rights they're supposed to have to organize freely into a union of their choice.

I wonder about a little footnote that was in that brief from the OFL. It says: "In its annual report the board does not break out the number of applications for orders requiring good-faith bargaining behaviour. This statistic, plus the number of failures to achieve a first contract, could be usefully included in the annual reports." Is that now being done or going to be done?

Mr. Carter: Mr. Saxe, do you want to speak to that? You're in charge of such matters.

Mr. Saxe: We made the OFL aware of the fact that we could supply those statistics if

they wanted them. They are available to us. I'm not aware of any change as to what will actually be published in the annual report, but they're available on request.

Mr. Mackenzie: Would it not be useful just to include them in the report?

Hon. Mr. Elgie: There is no reason why they can't be included.

Mr. Mackenzie: I'd like to change for a minute and deal with one of the points of contention in many of these disputes. Incidentally, I passed a number of notes back and forth to you about the Brampton transit strike.

Hon. Mr. Elgie: Someone's going to start to wonder about you and me the way these notes are going.

Mr. Mackenzie: I take it your assessment, in spite of my last note to you, is as you stated in one of your notes, that you did not yet see any failure to bargain in good faith in that situation.

Hon. Mr. Elgie: It's my understanding that some indirect inquiries were made about whether or not there was bad-faith bargaining. It was felt there wasn't any bad-faith bargaining in the adjudicative sense of the word. As you know, the board doesn't have the authority to advise people as clients, but I understand there was an indirect contact through them. I'm sure they had their own legal advice that there was no evidence of that. That's the question that Mr. Deans was talking about. What is bad-faith bargaining?

Mr. Deans: It's not necessarily failure to reach an agreement.

Hon. Mr. Elgie: That's right.

Mr. Deans: I realize that.

Hon. Mr. Elgie: Just because you don't reach an agreement doesn't mean there's bad faith. As I understand it, there's been movement on both sides during the course of the negotiations. It isn't a matter of one group saying: "There it is. Take it or leave it"; and another group saying: "That's our position. Take it or leave it." There's been movement on both sides.

Mr. Deans: That's final offer selection.

Hon. Mr. Elgie: Are you recommending that? Let the record show he disagrees with it.

Mr. Mackenzie: The basic contention is that there has not really been movement on the part of the transit commission, certainly not in wages. Is that not factual?

Hon. Mr. Elgie: Mr. Pathe has been involved in that.

Mr. Pathe: My information is that there was a number of exchanges in positions during the negotiating and conciliation and mediation. The city has a position on the table which represents a substantial increase by today's standards, by what's being negotiated both in other public and private settlements. However, having got to that position they haven't made any movement. In fact, the city council—I had personally met the mayor prior to the strike and—

Mr. Mackenzie: Was that not the original position the city took?

Mr. Pathe: I'm not totally sure on that.

Mr. Mackenzie: I don't think it's ever changed.

Mr. Pathe: On whether they had one and only one offer on the wages, I couldn't answer. I could find out, but there were negotiations on a number of other items. There was a percentage offer on the table plus an adjustment for the drivers, which, as I say, by other public sector standards is substantial. The issue, as you know, is the parity with Mississauga.

Mr. Mackenzie: The issue is not necessarily that now, from the union's point of view.

Mr. Pathe: I understand there has been an indication they have some flexibility.

Hon. Mr. Elgie: On a one-year contract.

Mr. Pathe: Yes.

Mr. Mackenzie: I'd like to go to the question of the other point I was making that's caused us an awful lot of problem and that is the question of what's most often called the Rand formula, the union security issue. I'm wondering, Mr. Minister, if we can get a little more definite answer from you on this than we've had on some of the other points that you agree are areas of contention but are not prepared to put any time frames on. What is going to happen in terms of union security?

Hon. Mr. Elgie: Again, I'm sure you know that I'm not in a position to state government policy, but I think it's fair for me to say that's an area I am particularly interested in reviewing.

Mr. Mackenzie: But you're interested in all of them, Mr. Minister.

Hon. Mr. Elgie: But you're not interested in all this?

Mr. Mackenzie: You must understand it's a little frustrating. The answer is some action on some of them. Maybe that's a question of good-faith legislation.

Hon. Mr. Elgie: Let's put it this way, you have my good faith on that issue.

Mr. Deans: I think the two of you should submit it to the board and see if you can't get a bad-faith bargaining inquiry.

Hon. Mr. Elgie: I think Robert and I usually bargain in good faith.

Mr. Mackenzie: You are aware of the statement — rather surprising, probably not thought through, forgive me—the statement of your predecessor about the right of the workers there or the inability to understand why they hadn't achieved this. I'm talking now about the Fleck situation. You're also aware that that is the bone of contention, or has been, in a number of first contracts, a number of disputes.

Hon. Mr. Elgie: Very much so.

Mr. Mackenzie: You are also very much aware that a union, once it's certified, is required by law to service all of the members in the unit.

Hon. Mr. Elgie: Very much aware of it.

Mr. Mackenzie: On what possible grounds can we not get finally some definitive action on a tie-in with the union security provisions at the same time as a union is certified? What's wrong, for example, in the bill that we've put in? It's a very simple one but a very straightforward one in dealing with the provision of union security when a union is certified. After all, if they have to service all the members by law, why shouldn't they be entitled to the protection that's involved in the union checkoff?

Hon. Mr. Elgie: I'm well aware of the arguments in favour of the Rand formula and I have great sympathy with them.

Mr. Mackenzie: Have you taken the trouble to go over the letter that went to the Premier (Mr. Davis) from—

Hon. Mr. Elgie: Bob White.

Mr. Mackenzie: —Bob White of the United Auto Workers on this particular issue that's built around the Fleck strike situation?

Hon. Mr. Elgie: Yes.

Mr. Mackenzie: The last two or three paragraphs in particular say it is time for action. This would be echoed from every single labour leader right down to each union member, providing they were active in their local: "It is time for action by your government on this issue. The compulsory dues checkoff should be automatic by legislation once the union is certified by the Ontario Labour Relations Board.

"If your government, Mr. Premier, fails to act in this issue I believe it is guilty of a

double standard. You cannot on the one hand have labour's participation on economic policy committees, quality of work life committees, manpower committees, et cetera, and on the other hand by your government's inaction support those employers who want to practise 19th century labour relations.

"I'm urging you to consult with the Honorable Bette Stephenson, Minister of Labour"—this was sent back in August, mind you—"and to bring forth legislation immediately on this issue. Other provinces in this country have already done so. I suggest to you such legislation would do a great deal to avoid a repeat of the Fleck strike."

One particular four-line paragraph probably is the key to it. It simply says: "Never again in Ontario should workers have to do what Fleck workers did, strike for a Rand formula checkoff. Never again in Ontario should a massive use of police force be used to support an employer trying to break the strike and deny the workers their right to have a union." I just don't know how anything could be put more clearly.

I notice in the back of that particular brief, for reference in case there was any difficulty drafting at the ministry or something, they included at least two provisions already in the Quebec labour code. Very simply: "An employer must withhold from salary of every employee who is a member of a certified association an amount stated as assessment by such association. The employer must also withhold from the salary of every employee who is a member of a bargaining unit in respect of which such association is certified an amount equal to the amount provided for in the first paragraph."

And, of course, they also quote the Manitoba Labour Relations Act, "to deduct from the wages of each employee in the unit affected by the collective agreement whether or not the employee is a member of the union . . ." and it goes on from there.

Given that rather surprising statement of the previous Minister of Labour and your own admission that you were very much in line with this kind of suggestion, the fact that this is at the root of a hell of a lot of the serious problems we've had, why are we waiting for some action on something as basic as that?

Hon. Mr. Elgie: I have indicated to you that I do have a degree of sympathy for the viewpoint with regard to the Rand formula. I have asked staff to prepare a brief for me on that matter indicating the pros and cons, and I will give my attention to the matter. Whether or not it will become government

policy will depend on the results of that process.

Mr. Mackenzie: Can you give me an idea of the time frame? You seem to be just a little more positive on that than on the others, all of which you indicate agreement with, but is there any—

Hon. Mr. Elgie: All of which what?

Mr. Mackenzie: "Sympathy" is a better word.

Hon. Mr. Elgie: No, you had better read the record a little more carefully.

Mr. Mackenzie: You seem to have more—

Hon. Mr. Elgie: Our notes will have to stop.

Mr. Mackenzie: What kind of a time frame?

Hon. Mr. Elgie: I can't give you a time frame, Mr. Mackenzie, but I can tell you it's a matter under consideration now, under review.

Mr. Mackenzie: Under review to the extent that the previous issue we raised is under review but not likely to be acted upon? Or is this under review and likely to be acted upon?

Hon. Mr. Elgie: You are a very tenacious man, but I really can't give you any other answer than the one I have given.

Mr. Mackenzie: The reason I raise it with you is because you seem to recognize just how much is at stake in this particular issue and I find it difficult to understand a rejection, if that's what it is, or at least—

Hon. Mr. Elgie: I haven't given you a rejection.

Mr. Mackenzie: But you sure as hell haven't given me anything that would make me very happy in terms of thinking we're going to get some action.

Hon. Mr. Elgie: I can give you no more commitment than I have.

Mr. Mackenzie: It's going to be interesting, whether or not you're the Minister of Labour one year from now and providing all of us are still here—

Hon. Mr. Elgie: Don't. You're not doing what the member for Wentworth—

Mr. Mackenzie: —it's going to be very interesting to go over these issues which have come into clearer focus than ever before, at least as I read the last few sets of estimates, to find out what this government has done a year down the road.

Hon. Mr. Elgie: I hope you and I are still here again next year.

Mr. Mackenzie: What kind of opposition are you finding within your own group? If there is such general agreement between you and your colleagues on this particular issue, why is it so difficult to be more definitive about time? Is there that much opposition to it in the cabinet?

Hon. Mr. Elgie: It hasn't been taken to cabinet. You've been around here a little longer than I have, Robert, and you're not unaware of the way policies and priorities are set. I've given you my commitment on this issue and that's as far as I can go today.

Mr. Mackenzie: I guess that's part of our problem there.

Hon. Mr. Elgie: That's part of your problem.

Mr. Mackenzie: There comes a bottom line, Mr. Minister. We talked in the opening statements about doing something about the problems that are perceived by almost everybody, and we've raised two or three here today. This is a particular one perceived as the real problem. There is only one answer: you do or don't; there's very little room to manoeuvre, if the union has to represent all of its employees, in terms of whether or not there is the Rand or some form of union security. What, then, is the reason for the difficulty in deciding that? We can correct a lot of problems; or is the weight of—I am not sure of the word I am looking for—but is it on the side of those who would not want to see this kind of basic progressive reform in the Labour Relations Act?

[2:45]

Hon. Mr. Elgie: I am not sitting in my office receiving pro and con briefs on the issue.

Mr. Mackenzie: So you are not getting opposition, in effect?

Hon. Mr. Elgie: No, I am just conducting a review of it and coming to understand the pros and cons; things that have led to it not being part of the legislation to date and the reasons that one might consider it.

Mr. Mackenzie: I guess this is as far as we can go: Given that on this there is no disagreement in the labour movement—it is as close as any issue I know to 100 per cent; and given that it is recognized that it is one of the problems that have caused us some serious and costly problems in the province and some serious disputes in a field that most people say should be improved—the labour relations field; and given there is not much room to manoeuvre, the answer is fairly simple and fairly straightforward. I would hope the process you are now going

through is concluded very quickly and that we can expect to see some action on this point.

Hon. Mr. Elgie: I thank you for your encouragement.

Mr. Chairman: Any further discussion under vote 2308; the labour relations board program?

Mr. Mackenzie: Yes, there is.

Mr. Chairman: You are not through yet, Mr. Mackenzie?

Mr. Mackenzie: No. I don't know whether somebody else wants to cut in, but there are a number of things yet to cover here. I know we have been at it for a while, and I don't know whether my colleagues in the Liberal Party want to move or not—

Mr. Chairman: Yes, we have been at it for exactly an hour, Mr. Mackenzie.

Hon. Mr. Elgie: Who is counting?

Mr. Chairman: I keep track of every second. Mr. Haggerty, did you have anything to say on vote 2308, or Mr. Ruston?

Mr. Haggerty: Vote 2304.

Mr. Chairman: No, we are on vote 2308.

Hon. Mr. Elgie: The Ontario Labour Relations Board; we agreed to include that along with industrial relations, since they are closely allied.

Mr. Mackenzie: I am prepared to continue or let my colleague go first, if the Liberal—

Mr. Chairman: Maybe Mr. Bounsall can continue while you are reloading your gun.

Mr. Haggerty: Would this include employment standards? Are you taking this—

Mr. Chairman: No.

Mr. Bounsall: I am sorry. I had to go to the telephone, Mr. Chairman. I wanted to say a word or two on good-faith bargaining. I was out while that concluded.

I think the reason you only had 12, I believe it was, before the board in the last year, is that there is a loss of enthusiasm for the process as we have it. You get a determination from the board that allows you to prosecute, or in this other sequence that we have allows you to apply remedies, then nothing much thereafter happens. If the strike does go on and they take it to prosecution then the penalties they win are very minuscule. The company just gets its hands slapped. It seems to me there has to be something in order for that part of the act to mean anything at all, that we must change the sequence.

There must be something in that sequence which sharpens things up. You only win a

moral victory before the board, and that doesn't necessarily change things for future negotiations. I can think of Hiram Walker in my own community, where they can get a six-month stockpile and then every three to four years have a six-month strike, during great periods of which there appears to be no attempt from the company side to bargain at all.

It seems to me that one should consider something like this and make it part of the legislation. However soon it gets to the board and however quickly the board can deal with it—and hopefully the board will deal with such applications very speedily—if the board in its wisdom does grant leave to prosecute or does decide, having heard both sides of the story, to apply remedies, a penalty should accrue to the side which has been found inefficiently not bargaining in good faith. The board should determine to take one of those two steps.

One can think of various penalties which might be applied, if it is the company which is at fault, which is invariably the case. If I could ask you, on the 12 cases that you had, did you have any examples of the union not bargaining in good faith?

Mr. Carter: Yes.

Mr. Bounsall: You did. How many did you have of those 12?

Mr. Carter: Two.

Mr. Bounsall: Two of those 12. It is a little hard to determine what the penalty might be in those cases, but if it is a company, one can say right at that point: "Before we give you leave to prosecute and another fine fall upon your heads, or we apply our own methods, that something like 10 per cent of your payroll costs be paid immediately as a result of having taken up the time of the board up to that point to reach that determination and the time lost from good-faith bargaining."

One is almost tempted, in the case of the companies, to apply at that point a penalty such that the workers would receive their wages up to that point as the penalty, with other instances of that occurring if they continue to bargain not in good faith.

On the union side, I am not sure what penalty one would impose if they hadn't bargained in good faith at that point. I would have to do some thinking about that, but it seems at that point, when the board has reached a determination that there is sufficient bad-faith bargaining, that leave is granted to prosecute or that you will take your own remedial steps, at that point there should be an automatic penalty imposed, not

by the board, not subject to the discretion of the board, because that could endanger or hinder their due adjudication of the facts of the case, but legislatively, tied to some factor, a percentage of their payroll, equal to the wages of the workers up to that point that would apply right at that point.

This would have, I think, two effects. It would certainly sharpen it up right then. It would make it worthwhile for employees in the province, the unions, to take the case forward. So often you have got bad-faith bargaining but why bother, because nothing effectively really happens down the road. That is why you have only got the 12.

Something must happen right at that point sufficient to cause the employers or unions, if that is the case, to fear that particular charge being brought before the board. Having been brought before the board, something meaningful must be imposed right at that point.

Mr. Armstrong: I understand in a very general way what you are driving at. There are some technical difficulties. For example, under the consent to prosecute section, the board doesn't make a determination as to whether good-faith bargaining has or has not taken place. All it does is determine whether there is a prima facie case to go on for determination by the provincial court, so it would be difficult at that point to impose a statutory penalty of some sort before an adjudication on the merits has been made. So there is a problem there.

Under section 79, the complaint remedy, it is questionable whether some sort of interim penalty would be necessary, because the board has full powers—to paraphrase or read from the appropriate provision of the act, section 79—to direct what action the guilty party shall do or refrain from doing with respect to the allegation. That would include, I would assume, the power to award punitive damages.

The idea has—I was going to say more relevance—it has relevance to that section, perhaps—an intermediate statutorily-prescribed interim punitive penalty is what you are really talking about—but it only would have relevance there, not on the consent to prosecute side, for the reasons I described. It is a novel proposal and one which perhaps should be taken under advisement.

Mr. Bounsall: Something has to happen to cause employers or unions to fear that charge having been laid before the board and perhaps at that point get off their duffs and into the rooms and get bargaining. As it is now, they can say: "So you got a decision by the

board that allows prosecution? Well, so what? The other side won a moral point at that point, but we have stockpiled up for three months and long before it gets to court we will have reached the one-month mark and we'll sit down and settle." That's the problem.

Hon. Mr. Elgie: Are the majority of applications, Professor Carter, applications for right to prosecute?

Mr. Carter: No, we get very few applications for consent to prosecute. Most applications are in respect to the board's remedy now, since 1975.

Mr. Bounsall: Having found at that point that the board should apply the remedy, in addition to what the board might apply in the way of a remedy there could be an automatic statutory event take place. How do you build into it something which causes both sides to take that section of the act seriously when there is a clear-cut case—we've been talking about this all afternoon—of a very strong feeling on one side that the other side isn't bargaining? You know they've got the stockpile and they're not bothering to bargain.

Mr. Carter: Mr. Bounsall, I think we've got some problems here. I think Mr. Pathe put his finger on it earlier when he said that in bargaining you have a lot of attitudinal problems. I'm not sure that heavy fines and damage awards are going to deal with those attitudinal problems. The same is true, I think, when the board is dealing with illegal strikes. The threat of a heavy fine may not get the striker back on the job.

Mr. Bounsall: I don't know what you do. I suppose the old penalty you used to have in New England where you put them in the stocks—

Hon. Mr. Elgie: Are you recommending that here?

Mr. Bounsall: —may well be the only type of penalty you're implying would really pertain. Economic things, you say, won't necessarily do it. I can see cases where that would be the case.

Mr. Carter: Frankly, I think you have to show people that it's in their self-interest to bargain collectively and reach a collective agreement.

Mr. Bounsall: Sure, and that's what we're all trying to encourage. What about the recalcitrant person who doesn't?

Mr. Carter: I know, but I think by and large that's what our conciliation service does. It performs a most useful function.

Mr. Bounsall: That's right, but what if the conciliation has failed; you're on strike; there is evidence that there are stockpiles

there, for example, and the employer is not bargaining at all, let alone bargaining in good faith? You're beyond the point where you can use moral suasion on them.

Mr. Armstrong: That's when you roll the minister in, the heavy artillery.

Mr. Bounsall: You'll be down to Hira Walker in two years' time.

Mr. Haggerty: I want to direct a question to the minister concerning the present situation in Sudbury concerning the Inco operations. Is there a mediator available at the present time right at the doorstep of the union and management?

Hon. Mr. Elgie: At the doorstep?

Mr. Haggerty: I mean is he ready there at any time to assist the parties to get back to the bargaining table?

Hon. Mr. Elgie: I can assure you there is no doubt in anybody's mind that the mediator could fly there, if he's not there, at any time.

Mr. Haggerty: Have you considered appointing an industrial inquiry commissioner into this strike?

Hon. Mr. Elgie: No, I haven't.

Mr. Haggerty: Why not? Is there an avenue here that perhaps could get them back to the bargaining table through the appointment of an industrial inquiry commissioner?

Hon. Mr. Elgie: I'm not quite sure this is a situation suited to an industrial inquiry. What have been the criteria to date for the appointment of an industrial inquiry, Mr. Armstrong?

Mr. Armstrong: There is a number of variations. There was an industrial inquiry commission into construction industry bargaining, the Franks commission. The commission that Mr. Mackenzie is so enamoured of, the Kelly commission, was an industrial inquiry commission. There was an industrial inquiry commission in the dispute at the Ottawa Journal. It has ranged over a variety of topics, the last one of which is directly related to a bargaining situation.

[3:00]

Hon. Mr. Elgie: Have there been any where the main issue was a monetary issue?

Mr. Armstrong: Not to my recollection where the main issue was a monetary issue.

Mr. Haggerty: There is another area under the Labour Relations Act where you can appoint a special officer to make additional inquiries just to find out what is going on if you don't know what's going on except what you see in the newspapers and perhaps

it is going to be a prolonged strike. Say, for example, we know that there is a huge inventory that has been disposed of, who knows how much. In the report of the select committee inquiring into the Inco layoffs—perhaps you can help me on this, Mr. Mackenzie—wasn't one of the recommendations that the government should appoint somebody to keep tab on the nickel industry and the selling of their products to find out where the market is? I know there was a recommendation in that particular area.

All I am trying to find out is just what issues are involved in the strike at the present time. We don't seem to hear too much from either party on that.

Hon. Mr. Elgie: Certainly I am kept aware by my staff about the status of the situation. They remain willing at a moment's notice and I remain willing at a moment's notice to become involved. You know my feelings about that strike very well, you and I have talked about it.

Mr. Haggerty: I just thought by not having somebody right there you don't actually know what is going on. The question is that they could have unloaded all of the inventory, who knows. Mr. Chairman is shaking his head and says no.

Mr. Chairman: I just read a report last night—that's why I am shaking my head—that they still have 300 million pounds in inventory.

Hon. Mr. Elgie: I'd be very happy to hear from anybody who has any advice on that situation. It is not a strike that hasn't received and won't continue to receive intensive efforts from this ministry any time there is any indication that they are warranted and wanted.

Mr. Haggerty: How many recommendations of Judge Waisberg's report were accepted by the ministry? I think there were some 17 recommendations. Have any of them ever been accepted by the Ministry of Labour?

Hon. Mr. Elgie: I don't know.

Mr. Haggerty: Are they accepted and are they in force?

Mr. Armstrong: The Waisberg report was released at a period prior to the fiscal year we are talking about. I would have to look at it again.

Mr. Haggerty: It was in 1975 or 1976?

Mr. Armstrong: Yes, 1975; or perhaps earlier.

Hon. Mr. Elgie: What was it about?

Mr. Armstrong: Violence in the construction industry, particularly with reference to

the lathers' union and contractors. Mr. Haggerty, I can check those recommendations.

Mr. Haggerty: But you haven't accepted any of them, apparently. You have had a study, and apparently you have not adopted any of the something like 21 recommendations?

Mr. Armstrong: There was a recommendation, a very vague one as I recall, with respect to alleged abuses in hiring halls. That brought about the amendment to the Labour Relations Act, to section 60(a), that entitles the board to inquire into complaints that there is favouritism operating in hiring halls and provides for a complaint by an aggrieved employee with respect to that issue.

Mr. Haggerty: Was that amendment made by regulation or by changing the act itself?

Mr. Armstrong: No, that's in the act.

Mr. Haggerty: It's in the act now, is it?

Mr. Armstrong: Then in terms of financial accountability, section 76(a) was added, relating to union pension funds and welfare funds, which now requires that there be an annual filing with respect to those trustee funds. That constituted a major portion of the Waisberg recommendations.

My recollection is he had something to say about the structure of bargaining. Of course, in 1977 the act was amended to provide for single trade, province-wide bargaining in the construction industry. I would say that the major criticisms in the Waisberg report were responded to in the incremental amendments to the Labour Relations Act.

Mr. Mackenzie: I'd like to deal briefly with the issue of strike-breakers and whether or not the government has any intention of outlawing professional strike-breaking operations. At the same time and tied in with that, has the minister any comments to make regarding the use, or misuse I guess depending on your point of view, of the Ontario Provincial Police with relation to the Fleck situation through which we've just come?

Hon. Mr. Elgie: I am aware from advice of staff that there's no recent awareness of any use of professional strike-breakers in this province. If there is any evidence of that I'd like to be made aware of it so that I could have a better appreciation of the problem, if indeed there is one. The second question about—

Mr. Mackenzie: Was there a check into the type of security personnel used at the Custom Aggregates strike?

Mr. Pathe: I don't have the details here, but I remember at the time we did check into it and they were, from our information, essen-

tially security staff brought in to guard the equipment in the gravel pit because there had been damage done to the conveyor belts and other things. My recollection is they were security guards to guard the equipment.

Mr. Mackenzie: I notice in the Ontario Federation of Labour brief they deal briefly with this. They refer to the Quebec situation, where violence against strikers and the realization of the gross imbalance in the law in favour of the employer brought redress in the province of Quebec. Following the shooting last July of Robin Hood flour mill strikers, the government there proceeded with a series of broad amendments to the labour code which came into force April 1, 1978. The Quebec labour code now prohibits an employer from hiring replacements for striking or locked out employees; and, except with the agreement of the union or under an order requiring essential services to be performed for the public sector, from using the services of members of the bargaining unit.

Has the ministry looked at any comparable legislation, or any legislation that may not be in your field that would prohibit professional strike-breaking firms, such as we had some publicity about a year or two ago, from setting up business in the province of Ontario?

Hon. Mr. Elgie: Professional strike-breaking firms setting up business in the province of Ontario; do you have any information about that, Mr. Armstrong or Mr. Pathe?

Mr. Armstrong: My recollection is that there was a firm operating. It wasn't a couple of years ago, it was six or seven years ago. The name escapes me at the moment.

Mr. Pathe: Richard Grange was the—

Mr. Armstrong: Grange was the name and the firm was Canadian Driver Pool. I'm not aware that that particular enterprise is active now. I appreciate that it's in the OFL brief and I think it was discussed at the convention; but as the minister has said, I'm not aware that professional strike-breaking is a problem with which we're faced in any concrete way at the moment.

Mr. Mackenzie: What about the legislation they refer to in the province of Quebec? Do you not see any merit in having that on the books?

Mr. Armstrong: Are you referring to the provision that prevents an employer from operating a plant during a strike?

Mr. Mackenzie: Without use of replacements.

Mr. Armstrong: That would be a dramatic change to the labour laws of this province.

Mr. Mackenzie: I asked this in the opening remarks: What happened to the role of the Labour ministry that allowed a situation where we had such an armed force of the scene as during the Fleck situation? What can we expect to see that will ensure such a situation will not recur, where we're expending better than \$1.25 million and where we had on at least four different days in excess of 10 per cent of the entire provincial police force in Ontario on the scene of a strike of some 70 women?

Hon. Mr. Elgie: I'm not aware of all the circumstances that led to the police being at the Fleck plant. I understand there were some picketers brought up earlier from outside the area. There may or may not have been an overreaction, but to my knowledge there was no intention that the police would be sent there in any role suggesting they were involved in strike-breaking. It was a matter of protecting all parties.

Mr. Mackenzie: You are not aware, but that certainly was the interpretation of the employees involved; that the weight of that kind of a display of force engaged the union. That is clearly how it was perceived.

Hon. Mr. Elgie: That may be; but it's interesting, there are situations where the police are being asked to be involved, on one hand by management and on the other by unions. I'm not sure that anyone is capable of overreacting to a situation, and of underestimating it or overestimating it. But I would like to be clear that I had no indication from anyone that the police were being used as an arm of any party. Had I been aware of that—

Mr. Mackenzie: On one day—take April 11 as an example—there were one assistant commissioner, one staff superintendent, one superintendent, two sergeant majors, four staff sergeants, 10 sergeants, 46 corporals, 457 constables and one CRD—whatever that implies; 523 members of the force, 504 of whom were billeted overnight that night.

I guess what I'm really asking is how, given the responsibility, at least as I see the Ministry of Labour in terms of good and proper labour relations in the province, could we have had such a situation and for the length of time that we had it?

Hon. Mr. Elgie: I'm sure you know that this ministry wasn't asked whether it wanted police sent in, nor were we involved in that.

Mr. Mackenzie: Isn't that part of the argument?

Hon. Mr. Elgie: But with regard to the fact circumstances, Mr. Armstrong was found at that time. What involvement might you be aware of?

Mr. Armstrong: I don't think it's fair to assume the Ministry of Labour remains mute in terms of communication with other ministries as to the hazards and counterproductive effect of the use of police in a labour dispute. If you're operating under that assumption you're operating under an incorrect assumption.

Having said that, the primary responsibility for the maintenance of law and order is the responsibility of the Solicitor General and the Commissioner of the Ontario Provincial Police. Regardless of what gratuitous advice may be received from the Ministry of Labour the ultimate effect of the use of police in terms of effecting a settlement in a labour dispute, I assume since it's the ultimate responsibility of the Solicitor General to assess the danger to public order and the maintenance of safety and well-being of the people in the area, that's a decision which ultimately falls on his shoulders and on the shoulders of the commissioner.

[15]
I wouldn't think anybody at this table would purport to second-guess his judgement based upon whatever information was before him as to the apprehended danger. It certainly doesn't make it any easier for the mediation-conciliation branch to settle a dispute when the newspapers have photographs of people in riot equipment in the numbers you suggest at a plant where there were 7 people on a picket line.

Mr. Mackenzie: For several days there, it's bad.

Mr. Armstrong: For several days and it certainly is not conducive to the resumption of normal conciliation and mediation once that kind of thing happens. Each of the ministries has its own particular responsibility and there's a limit to the influence that one ministry, the minister responsible for the settlement of the disputes, can have on the ministry seized with the responsibility of the maintenance of law and order.

Mr. Mackenzie: I understand your passing some of the responsibility over to the Attorney General, but really what I'm asking—guess is you people—

Hon. Mr. Elgie: That isn't what he said. I didn't say he passed it over to the Attorney General, though it is his responsibility.

Mr. Mackenzie: All right, let's just turn it around a bit. What is the role of the Labour

ministry? You people are trying to resolve that dispute. You understand some of the mechanics that are at work in this kind of a dispute. You made that clear. The fact that somebody bombed in his decision was admitted by one of the commissioners, there's no question about that, but what I want to know is, was the Labour ministry consulted by any of the other ministries about sending in the police, the numbers, the kind of confrontation and what effect this would have on your efforts to settle?

Were you clearly asked for some feed-in to this and how did it happen? If you were not asked for it, did you volunteer it and volunteer it fairly strongly, given that that wasn't just a few days' situation?

It started with 92 and the next day 198 officers, and went two weeks before we got to 239 and then 76 again on that scene. I think about the biggest outside demonstration was less than 300 people during that course of time. I was there at two of the rougher ones I guess and the numbers of demonstrators were nowhere near the numbers of police in the two days that I was on the scene when we had some problems up there.

What I'm simply saying is, what kind of a request was made to your ministry before this overreaction took place, which certainly is a black eye to this province in labour relations? What kind of attempts did you make to modify the overreaction, or was there none at all? Was there no communication?

Mr. Armstrong: I wasn't privy to the discussions between the then Minister of Labour and the Solicitor General or the commissioner of the OPP. I did, however, discuss with my minister, in much the same way as I've responded to your question, the counter-productive effect of a large number of police at a strike-bound plant where emotions were already running high.

That advice and caution was communicated to the then Minister of Labour and, as I say, I wasn't privy to her discussions, if any, with the Solicitor General but I would be very surprised if that wasn't a factor that was taken into account, together with the information that was available presumably to the Solicitor General and to the commissioner about the apprehended threat to the safety and life of the people in that industrial park.

Mr. Mackenzie: So you're not aware, just as you said, whether she did, although you'd be surprised if she didn't, or what kind of feed there was. Obviously it didn't carry much weight, Mr. Deputy.

Mr. Armstrong: One has to be privy to all the facts, and as you say, there's already been a rather searching analysis, as I understand it, and investigation and questioning and cross-examination of the commissioner and his officers with respect to whether or not there was any overreaction in that situation. That's essentially a question of the mandate of the Ontario Provincial Police and certain admissions, I understand, were made about that.

Mr. Mackenzie: There was a clear admission by the commissioner that there was an overreaction.

Mr. Armstrong: Yes, and there's nothing I can add to that.

Mr. Mackenzie: I was there at those hearings. I don't know whether there's just not an answer or you're not responding to it. It would seem to me that while the responsibility may be the Solicitor General's, somewhere nearby as a partner in the doggone decision or certainly providing some real feed-in to what was involved here should have been the Ministry of Labour which should have been listened to a little more because that was an essential part of the problem there and the fact that it escalated to the extent it did. That's something that nobody should be more aware of than the Ministry of Labour people because of their involvement in disputes in the province. Why would the other arm or the other ministry give so little credence to your own advice?

Mr. Armstrong: I thought I did answer that. I thought I told you that having discussed it with the executive director of industrial relations, I expressed the labour relations ramifications of police intervention to the Minister of Labour. Although I wasn't present, I would be very surprised indeed if those expressions of concern were not passed along to the Solicitor General and to the commissioner of the Ontario Provincial Police.

I assume that those representations were weighed against the information they had of apprehended danger in the Centralia Industrial Park. A decision was made and, as you say, in later questioning and cross-examination there was some indication of an admission that there was a degree of overreaction.

Mr. Mackenzie: As I recall the hearings, the evidence seemed to rest, and the decisions that were made concerning the numbers, totally on the information of one or two of the officers involved in a charge at the scene, one of whom was later removed from full-time charge of the scene. What I have to ask then—and I don't want to be unfair

—is whether that is an indication of how little weight the advice of the ministry carried in the decision-making sources in the cabinet.

Mr. Armstrong: You can put whatever interpretation you like on that. I would think an equally fair interpretation would be that counter-weight was given to the apprehended danger to the safety and security of people and property.

Mr. Mackenzie: I just hope it doesn't mean that the Ministry of Labour ranks fairly low on the totem pole in cabinet clout or something. That's one of my concerns.

Mr. Armstrong: I think we share that.

Hon. Mr. Elgie: That would be a concern of mine as well.

Mr. Bounsall: Is the minister willing in those situations where there is police involvement at all to walk in and say: "Hey look you check with me from here on in whether they are to be used at all. History has shown whenever police get involved in a situation particularly in large numbers, the whole situation has got emotionally out of hand. Pull them out and don't do anything about involvement of police in a particular situation until you've checked with us, particularly on any escalation of numbers"?

Are you willing to go in and say that to your cabinet colleague, the Solicitor General for strikes in the future and get that established with him and within cabinet? Are you willing to try that as a minister?

Hon. Mr. Elgie: I think I would be prepared to do that sort of thing. That's a role I would accept.

Mr. Mackenzie: Hope has been given at least. There is some question then that we may not get into a similar situation again in future as we had at Fleck.

I have a question on successor rights. I'd like to know whether or not there have been any further discussions within the labour ministry over the question of successor rights in the case of plants moving and plant takeovers.

There's a little point that I didn't realize could cause some problems. I got a note from my friends, the hotel and restaurant workers, who told me of one of the problems they're having. They say: "We have a situation which is peculiar only to our type of operation." I'm not sure that's essentially correct. "Where an employer has a large operation and there is a cafeteria or dining room and the hotel and restaurant union has a contract, the contract is actually with the contractor who runs the cafeteria operation."

They use as an example Eaton's dining room. It has a contract with ABC Food

services, and the hotel union holds the contract with these employees through the contract for ABC Food Services. "The situation arises that where the contract for the cafeteria operation comes up for renewal and the food service company loses the contract to another company, this negates the contract between the hotel union and the original contractor, ABC Food Services. We have had some problems in some of our units in this type of a situation."

It doesn't go into it. I am more interested in the whole extension of successor rights, but I am wondering what kind of discussions have gone on and what we are doing in terms of trying to tie up the successor rights issue.

Hon. Mr. Elgie: I can only speak from my very brief exposure to matters in the ministry, but I am aware of the fact that there was a case before the labour relations board that did deal with companies moving to try to escape obligations under certification. I am sure you know that case as well as I do. Professor Carter, could you elaborate on that. I think it was the Humpty Dumpty case, wasn't it? What did it decide in this area?

Mr. Carter: Essentially the board characterized the situation as being an illegal lockout. In fact, there was only the appearance of a move; there wasn't a real move. The company was servicing the same area. It just changed its depots. This occurred during mid-contract and so the board characterized that action as being an illegal lockout.

Hon. Mr. Elgie: So in an attempt to escape relationships in a contract, the successor rights pass with it. Is that right?

Mr. Carter: I think the Humpty Dumpty case depended on the fact that there was really no move in location. It was an artificial move, let me put it that way. I think once you are into a plant relocation then you are into a much different problem.

Mr. Mackenzie: That's another area that's causing us some trouble too. What kind of thinking or studying has gone into plant relocation? I recall a recent case on Sherman Avenue North in Hamilton—I forget the name of the plant—where a plant that had been in operation some 20 or 30 years ceased operation and very few of the employees were transferred to the new plant in the Toronto area.

We have had the same problem with a wire and cable plant in Hamilton that built a plant in Orangeville or that neighbourhood, where some wire drawers with long seniority—I think in the case of one, some

40-odd years—who in spite of being qualified wire drawers just didn't get a chance to move into the new operation in Orangeville, even though in one or two cases they were prepared to move. I am wondering about the whole question of the employee rights in a variety of situations where there is a plant move or plant relocation.

Hon. Mr. Elgie: What would be the present position on that?

Mr. Armstrong: The present position would be, as is implicit in Mr. Mackenzie's question, that the geographical move to another location, if it were done for legitimate commercial reasons, would not require the employer who is effecting the move to carry the bargaining operations with which it was seized at the previous location.

Mr. Mackenzie: Greening Donald was the one I was thinking about.

Mr. Armstrong: I can recall from days in private practice knowing about certain UAW collective agreements, in which the UAW had negotiated what they called transfer of operations clauses, which would entitle them to have their bargaining rights survive regardless of the geographical move.

I suppose the argument against codifying that in the Labour Relations Act would be that—let us assume that the move is for a legitimate commercial, financial, or economic purpose, and it is at the different location—there is a provision in section 3 of the Labour Relations Act that enables the employees to select the union of their choice. If one were to enact a provision making it compulsory for the relocated employer to recognize the same union, or indeed carry with it the existing contract, there might be some question of whether or not it was entirely reconcilable with section 3 of the Labour Relations Act. Apart from that I don't think I can assist you, except to say I'm subject to some correction by the experts. I am not aware again that the successor rights concept has been expanded to cover geographical moves in our sister jurisdictions.

[3:30]

Mr. Mackenzie: You don't see it as a useful extension of coverage for working people?

Hon. Mr. Elgie: Is there any area that it is applicable to now that one might look at to see if it has made a valuable contribution?

Mr. Mackenzie: I think we probably could come up with a few.

Hon. Mr. Elgie: Can you think of one offhand? We were unable to, as a matter of fact.

Mr. Mackenzie: I remember very clearly the chagrin of the workers—I'll have to get the name of the plant—I remember it was on Sherman Avenue North in Hamilton.

Mr. Bounsall: Whether or not you take the same bargaining agent, which the minister has outlined has some difficulties to it, I personally think that would be a good move. I suspect that often the financial and economic considerations involved in a move to another locality are an attempt to get out of a union contract and pay a lower wage rate which they shouldn't be allowed to do.

But let's say there are legitimate arguments for not transferring the same bargaining agent because of the limitations then on choice. What about saying at least that employers must offer employment at the same rate to their previous employees when they relocate that factory, leaving silent whether or not, once there, they come up with the same bargaining agent? Certainly that's one of the basic rights it would be legitimate to write into the Labour Relations Act.

But there's no obligation on the employer to offer employment at the new location to the displaced workers when he shuts down the plant he is leaving. Certainly, if you don't have a provision in the act which says they must offer it to them at the same rate at which they left, if they are going to offer it to them at a rate \$2 an hour or less, there is going to be some real hardship in the transfer. I could see that, whether or not you speak to the bargaining agent. Leave that out. At least there should be an offer of the job, and at the same rate. Then it is up to the employees who go, plus whatever new ones join in from the new locality, as to whether they choose that bargaining agent or another, or none at all.

I suspect if they were organized they would tend to choose the same bargaining agent. But even in the unorganized, on both sides there is no obligation to offer positions to the displaced employees. Surely that is something which the ministry in this Labour Relations Act, or in some act, should clearly establish. When a company moves, they must offer positions at the new location to the employees displaced.

Hon. Mr. Elgie: I would have some problems with the first suggestion, that is that the union move with it. If we do, we would have the problem with section 3 and the rights of new employees in a new community. I think there is certainly a lot of

merit in your other suggestion and I will take that under advisement.

Mr. Mackenzie: Do you understand the point, Mr. Minister, that you can have a contract signed for a set period of years and then the company does make the decision to geographically move for economic or other reasons? They are in effect breaking the contract and not necessarily living up to the protection those workers should be able to expect.

Hon. Mr. Elgie: I think there is some merit in the remarks.

Mr. Mackenzie: I recognize that this government never accepts any suggestions from opposition members, but have you taken a look at any of the bills we have submitted in this area? Have you taken a look at the one we have in dealing with relocation rights, continuation of employment, and so on?

Hon. Mr. Elgie: I know about it, obviously. But I personally haven't sat down to review it and hear the pros and cons.

Mr. Mackenzie: Does your ministry ever read any of these suggestions we make?

Hon. Mr. Elgie: Oh, yes. I don't want you to feel that you're out there somewhere Bob, in a vacuum.

Mr. Armstrong: Maybe we have an annotated copy we could show you.

Mr. Mackenzie: Let me ask you if this is an area where there is any active consideration of improvements in terms of the continuation of rights, or extended coverage, or successor rights. Or is it another area that you are once again merely considering? You've got an awful lot of considering to do, Mr. Minister.

Hon. Mr. Elgie: I think I answered that. First of all, I asked if you could indicate to me any other countries or provinces or states where one might look to see what the effect has been of successor rights legislation. You don't know of any, and I don't know of any either; but, if you do think of one, I'd be interested to hear about it so one could review what effect it has had and why other provinces, states and jurisdictions haven't gone after this concept.

With regard to the second area, which is the employment of individuals and their right to be offered new employment in a new plant, I must say there is a lot of merit to that and I would be interested in looking at it.

Mr. Bounsall: Let me say that I agree with Mr. Mackenzie's approach that the bargaining unit should move and, if a consider-

able number of employees do move at the same rate they're going to get their same bargaining agent back; so all you're doing is saving to put your board through the process again of a new certification at public expense.

Hon. Mr. Elgie: You don't know how many will move; that's the problem.

Mr. Bounsall: If it's at the same rate, the employment situation being what it has been for some years now, the chances are that you will—particularly if it's somewhere out of the Metro Toronto area where the cost of housing may not be quite as high.

But I don't want to water down my colleague's approach to it. I think you do have to worry, that you can also change your bargaining agents; there's a method for doing that under the act. If the new group of employees added to the numbers from the bargaining unit which has been transferred decide they want to change, that route is always open to them as well.

Mr. Chairman: Mr. Smith, did you have some comments?

Mr. S. Smith: I don't want to detract from the line of argument being made on this particular topic, and if the gentlemen want to continue that, I wouldn't mind. I have some comments to make on another matter.

Mr. Chairman: This is relating to vote 08, Mr. Smith, the labour relations board program. This is what we're on currently.

Mr. S. Smith: I understand that. If they want to finish this matter of successor rights, I don't mind.

Mr. Bounsall: I think we've exhausted it.

Mr. S. Smith: All right. I just want to deal briefly with a matter which I think falls under the Labour Relations Act. If I'm wrong, Mr. Chairman, please correct me and I'll come in on some other vote. It has to do with the question of management practices and is occasioned by the current dispute at Puretex, the matter of the cameras and so on.

Leaving apart the question of the Ontario Human Rights Commission having looked at it, the fact that they denied it and the fact that the reasons for the decision may or may not be made public, I think the minister should know I have just returned from there and I am deeply upset.

I spoke there to about 25 women, most of whom spoke Italian, which I could understand as long as they spoke slowly but I couldn't respond except in English. They expressed a feeling of being kept under the thumb by those cameras. There is absolutely no

question but that the cameras are designed to try to force them to feel there is somebody watching them at all times, that they must never raise their heads from the machines.

That is so obviously the case that I must urge the minister to make it very clear that, whatever else happens in that strike, those damned cameras will be removed. If he needs an amendment to the Employment Standards Act to get those television cameras out, as was suggested by my colleague from Hamilton East, who is with us in the committee today, then I'm sure we'll be glad to make such an amendment. We will give it to the minister in two days if he wants that amendment.

I spoke with a lady there—I hate to estimate ages, but I would think she was perhaps in her 40s or 50s—and she was telling me that they have a camera trained on the bathroom door—the ladies' bathroom door; not the men's. She was called aside by the boss and told she had spent too much time in the bathroom on a particular occasion and, if she did that again, she'd be sent home.

I asked her: "How long have you worked here? What is the nature of your work? What is your wage?" She has worked there for 13 years. She works on a sewing machine; she's called a grade B seamstress, whatever that means, according to these standards and so on. She earns the princely sum of \$3.65 an hour.

Here's a person who has worked there for 13 years; the boss surveys the bathroom door and tells her she spent too much time in the bathroom. The indignity of that! And she was not alone. Almost everyone there told me of similar occasions.

There is simply too much dehumanization in modern industry, by the very nature of modern industry, to introduce this kind of dehumanization of the work place. Taking advantage of these immigrant women who are desperate for work—who are paid so little anyhow—and treating them with such indignity, simply has to stop.

I don't pretend that I am somehow or other a white knight rushing in on the issue. I know darned well that this has been a real thorn in the side of the New Democrats who have raised it time and again. I have made my views known on this on occasion. But both opposition parties want a halt to this. The minister should simply make the statement that he will get rid of those bloody cameras, one way or another. If he needs to amend legislation, let him amend the legislation; the minister knows he has our co-

operation. But he shouldn't just sit back and let this go on. It's a terrible dehumanization of people.

Apart from the merits of the strike and the other issues which the collective bargaining process has to deal with, and aside from the question of the human rights commission, I urge the minister simply to make a strong statement that the work place in Ontario cannot be dehumanized in this way. The two opposition parties together cannot initiate anything. As the minister knows, we can't push something through to be legislation, although we would support each other in this regard. We depend on the minister, and I would ask him to make a powerful statement that this is just not going to continue.

There may be causes for using television cameras to guard exits and to deal with certain security problems; we understand that. But this is not what's happening. Any damned fool can see that's not what's happening there. I would ask the minister, therefore, to make a powerful and definitive statement on this, because we in the opposition are helpless to do anything other than scream about it; and that doesn't help. We're dependent upon the government to move and, with a minister as sensitive and as thoughtful as this minister, I would hope we would have some action.

I just put that forward. If it's the wrong vote, I hope the chairman will forgive me, but it surely must have some relationship to labour relations.

Hon. Mr. Elgie: If it's the wrong vote, I'll speak to the chairman about it.

Mr. Chairman: Mr. Smith, for once, is on the right vote.

Hon. Mr. Elgie: Meet me at Church and Gerrard and we'll talk about it.

I share—it's more than concern—the distress expressed by the Leader of the Opposition. I know Mr. Mackenzie and others have the same distress. As I told him in the House the other day, I have asked members of staff to review the practice and law in other jurisdictions. As he knows, although the particular case before the human rights commission has been turned down with a non-board, I have indicated to the solicitor acting for the employees there that I am prepared to review any new points of view they want to present to me.

But, above and beyond that, I met last Friday with several of the same ladies who I'm sure the Leader of the Opposition met with today or yesterday, including the senior negotiator for the union.

Yesterday, at my request, the compar and its solicitor attended at my office so that they could hear my concerns about the dehumanizing aspects of internal surveillance as opposed to exit and external surveillance for security purposes, and they presented their views to me. I have to say that at the present time we're in the process of deciding what the next step is.

I'm not cold and unaware of the situation. I have the same distress about what's going on as the Leader of the Opposition has, and as members of the third party have. Those are the steps I've taken to date. I don't believe that will be the end of it.

[3:45]

Mr. S. Smith: All I can say is—

Hon. Mr. Elgie: If you want a plan for the building, I have one at my office; I will give you that too.

Mr. S. Smith: I have the plan and I've looked at it. I may tell you, just for your interest, that we actually tried to get into the building to see what was going on.

Mr. Mackenzie: You even crossed the picket line?

Mr. S. Smith: Well, it was at the invitation of the women, that we go in and look at it.

Hon. Mr. Elgie: Could you not get in?

Mr. S. Smith: No, we could not get in. We asked the company to arrange this a week ago. They said they would have to talk to their solicitor. They said they'd call us back. We called them back three times and clearly identified what we wanted; we still got no answer. Today we couldn't get in through the front door. Anyway, that's beside the point. Whether I look at the stupid machines or not is not the point.

Speaking to Miss Madeleine Parent, their chief negotiator, certainly you get a clear idea of the issues involved. But, honestly speaking to some of these poor Italian ladies who have to talk to you in Italian because they can hardly speak English, and finding out what it feels like to be under this surveillance, is even more moving than talking to their chief negotiator. Perhaps you've already done it.

All I can say is, for heaven's sake stand up in the House and simply state that these machines are going to go. As to the legislation that will cause it, whether we'll do what Bob Mackenzie suggested, which is to make an amendment to the Employment Standards Act, as I recall—I think, Bob, that is what you suggested, was it not?

Mr. Mackenzie: It could be that act, yes.

Mr. S. Smith: Whether it be by anything, it's not a question of which party is going to come out looking great. It's a question of getting this clearly understood by the employers in this country, and particularly of course in Ontario, where we have some chance to affect it, that it's just not acceptable. At least we should start with a statement from the minister that they're going to go; we may not have the legislative means but we'll get them. That kind of statement would mean a lot to the people who are out there now. It would mean a lot, in my view, to working people everywhere and to decent thinking people everywhere. I think it would redound to your credit. It wouldn't do anything great for Mackenzie himself. Obviously the government would get credit. I wish you'd do it.

I came here to put that to you. Obviously the committee was kind to allow me to have these few words. I think I've made my point; I don't think I can say anything else.

Hon. Mr. Elgie: I have met with both sides, including several of the women who work in the plant. I've heard the same story and I felt the same distress you did about it. I am now just considering what the next step is. Obviously I am as concerned or I wouldn't have met with both parties. Thanks for bringing it up again.

Mr. Mackenzie: A brief comment: As you will recall, there was a suggestion earlier today that this specific situation is one where you should be showing leadership in dealing with it. I agree totally with the comments of the Liberal leader. But I don't think it's good enough for you to stand up and make a statement in the House. I recall one of your colleagues doing that very recently on the question of toplessness and we got into a morality debate right across the province. Quite frankly, as far as I'm concerned, the thing was so indefinite that it was really shot down, and the brave talk about stopping this problem within five or six days didn't mean a damned thing. I think it was too broad.

I think the simple suggestion is that you could have an amendment to the Employment Standards Act which does not allow the "Big Brother is watching you" type of situation we have with those cameras, because it's an invasion of personal privacy. Certainly where the washrooms are situated there are times of the month when you are going to have some of the women in there for a period of time. It's just an unacceptable situation.

The same kind of thing could be handled very simply—not the whole question of morality, although I think even morality enters

into whether or not somebody can be spied on in that way—in terms of a simple amendment to the Employment Standards Act that says a hotel or restaurant can't, as a condition of employment, require nudity on the part of waitresses. If they want to hire entertainers—I'm not getting into that whole field; that's another one. There are a number of things that can be done where you do respect the individual rights of people and you don't allow a type of exploitation or invasion of privacy. Those are just two very good examples.

I think that this government could take the initiative on those, but it's not a statement that's needed; it's a simple piece of legislation in the House.

Mr. Bounsall: You wouldn't need a whole new section of the Employment Standards Act. There's a general section of the act which, with one clause added thereto, would cover the situation. There are various topics covered in that general section, without requiring a whole separate section labelled section 12 or what have you; it would slot neatly into the clauses under the general section of that act.

Hon. Mr. Elgie: Thanks for reinforcing my own distress about that.

Mr. Mackenzie: I almost hate to ask you, given the answers we've had all day, Mr. Minister—

Hon. Mr. Elgie: Come on, now.

Mr. Mackenzie: —but is there any chance of having agreement on a piece of legislation to deal with this, or is there any chance that you will bring it in within any decent time frame?

Hon. Mr. Elgie: Robert, if you're suggesting that I'm sitting around doing nothing, I'd be offended at that. I took the trouble of meeting—

Mr. Mackenzie: I'm suggesting that everything that you've agreed with, you're going to think about.

Hon. Mr. Elgie: I apologize if I suggest to you that matters need consideration to select most appropriate paths. That's the way of the world and that's the way I am. I have met with the women and with Madeleine Parent, and at my request the company and its solicitor came to my office yesterday. If that's moving slowly and not showing any interest in the matter, then someone's wrong somewhere. I don't think it's me.

Mr. Mackenzie: What I'm asking clearly is, will we see something in the House that will resolve at least that particular part of the dispute?

Hon. Mr. Elgie: One of the problems you and I have is that you want things settled yesterday. I like to evaluate the situation and select the best course of action. That's what I plan to do on this, having in mind that I have the same distress about the issue that you do.

Mr. Mackenzie: I'll accept that you have the same distress about the issue; I accept that seriously. But I can't for the life of me, see why there should be another two, three or four weeks, until that plant is back in operation, with those goddam cameras. That part of it shouldn't be hard to deal with.

Mr. S. Smith: He's really right, Mr. Minister, if I may intervene. He may want it yesterday, you may want it tomorrow and I may want it today—that's a typical Liberal position—but, quite seriously, there is a lot of goodwill towards you. You know that. You're a person who we think has the right instincts and we feel we can deal with. I can't say that about your predecessor, but that's neither here nor there.

Hon. Mr. Elgie: Say that in her presence so she can defend herself.

Mr. Mackenzie: I will and I have, Mr. Minister.

Mr. S. Smith: This is such a clear case; it's so obvious that there's no call for this type of television surveillance. There is absolutely no reason why you can't do both: make a powerful statement and declare your intention to move by way of amendment as soon as the amendment is drafted, and then get the darned thing drafted. There really is no need for further mulling it over and further civil service input. It's obvious.

We're getting around to repeating ourselves at this point, but I must say that this is one of those occasions on which the member for Hamilton East and the member for Hamilton West are in agreement. It is one of those rare occasions, but it's an occasion anyway. I hope you'll act.

Mr. Ruston: The west and east shall meet.

Mr. S. Smith: That's right. It'll force him to reconsider his whole attitude towards his values.

Hon. Mr. Elgie: See, you're friends; you're really friends—friends and neighbours.

Mr. Bounsall: Never the twain has met up to this point.

Mr. S. Smith: No; fortunately, there's Hamilton Centre between us.

Mr. Bounsall: On that same point, I just want to add that the minister is distressed and all of us in the House who have viewed

this situation are distressed. There have been suggestions made as to what act it might be done under. There may be another appropriate act, but I say to the minister, being fairly new to the ministry that when you are searching for how to phrase it or what would be the most appropriate act to put it in, those within the ministry whom you encounter at this point, who counsel caution in this and say, "let's have a study," would be the persons in your ministry whom you may be wary of in all situations in the future when you get to consider all those other considerations which you're going to touch throughout the year.

Hon. Mr. Elgie: My deputy wants to know just what that means. How dare he speak up like that?

Mr. Bounsall: I suspect that, if you legislate on this, there's going to be some one come up and say: "Look, it could have ramifications here and ramifications there. Let's sit down and have a look at this." This is going by on this one. With someone who does do that, one might have a look at the kind of input that person is having or likely to have had or will be having in the future.

Hon. Mr. Elgie: There are many ramifications but clearly I'm involved with it.

Mr. Bounsall: It is a pretty clear-cut, narrow issue.

Hon. Mr. Elgie: The issue is very clear-cut. The answer, like the fellow said, is "like some help with the questions and a little bit with the answers."

Mr. Mackenzie: There can't be any dissent on the answers in this case either can there?

Hon. Mr. Elgie: There are a variety of things one can do.

Mr. Mackenzie: Maybe there should be something at the doors, but not at the window room certainly.

Mr. Bounsall: There should be one effective way in which it should be dealt with.

Mr. Mackenzie: I want to go back to the question that somehow or other I missed asking in the same vote in the context of failures to achieve a first settlement. In many of those cases has a petition been involved and/or a case of discharge under section 79 of the act? How many of the failures to achieve a first settlement involved a petition? Could that information be obtained? It would be interesting to know where a petition has been involved. Could we get that before we finish with the committee at least?

Mr. Saxe: I think we can supply that.

Mr. Mackenzie: In dealing with certifications, I am wondering if there is any more recent information. I appreciate the letter I got back from the minister on the two cases raised with him, one being the Howard Johnson's certification application on Yonge Street, though I find it difficult to understand the delay from July 21 until some time in October for the certification to take place. The other one was the Radio Shack in Barrie. I noticed in the letter you sent me that on July 21 the bartenders filed an application for certification for a unit of employees at Howard Johnson's at 291 Yonge Street in Toronto. The application was heard on August 8. Then you have a note here saying: "But a decision was delayed due to case load problems with the board. The decision was issued on October 11 granting an interim certificate until outstanding bargaining unit problems could be sorted out. The labour relations officer subsequently met with the parties and settled the difficulties. As a result, a final certificate was issued on November 7, 1978."

That is a long period of time in that particular trade. There are few trades where they have more trouble with turnover than in the hotel and restaurant business. A matter of weeks can kill the certification of a union in a situation like this. What were the caseload problems that led obviously to part of the delay at least in the certification?

Mr. Carter: I'd be glad to comment on that. It just so happened this year that we had a rash of applications in the late spring. We had a very heavy case load at that time, which I think was somewhat unusual. At the present time, our case load is down in one of its valleys. One of the problems we face is the peaks and valleys. Unfortunately, that application came in at a time when we had a peak. There were just a lot of other cases to handle at the same time.

Mr. Mackenzie: Is there not some way or is there not same method you use to streamline or carve out those areas which are a real problem? I presume the board is aware of the problems that are involved in a high-turnover industry like the hotel and restaurant field.

Mr. Carter: I should point out that we had a lot of pressing problems at that time. We had applications coming out of the construction industry in respect of Bill 22 where there's a province-wide scheme. You had to look at our July reports, which make up a very thick volume, to get some idea of what the case load was at that time.

Mr. Mackenzie: I understand your problems and I would hate to be in a position of trying to establish priorities. What I am saying is should you not have some way to streamline a situation where the unit could go down the drain, in effect, in a matter of days or weeks because of the turnover and the pressure that can be exerted with the turnover there, if there is not a decision made on it?

I have talked at some length to the people who were involved with this. We are lucky we have got a unit, if even with the certification we do have a unit there now.

[4:00]

Mr. Carter: There is no formal system. Often, the parties themselves let us know if there is particular urgency in the matter and if that is the case, we make every effort to get that decision out as quickly as possible.

We have an internal system as well and we take a look at any case that is over four weeks old. At that point, we have concerns about it. It is not a perfect system by any means, but we are conscious of the need for expedient decision-making. It is certainly our first priority at the board.

Mr. Mackenzie: Is there not a recognition that in almost every case of certification there should be a decision a maximum of 30 days from the date of application?

Mr. Carter: Yes. In fact what we aim for is a delay of no longer than four weeks between the date of hearing and the date the decision is released. We don't always make that deadline, but that is the deadline we aim toward.

Mr. Mackenzie: Have you discussed the idea of the acceptance of petitions? My experience with petitions was limited, but it was bitter. I am going back now to when I was organizing in the early 1950s. There were several petitions in plants I organized, and there wasn't one that wasn't a phoney or management-inspired petition in every single case I can remember. They are perhaps a little smarter now than they were in those days, but in some cases we were able to establish before the board that the company solicitors had drafted the damned things and then turned them over to one of the employees. One of the petitions was on the back of a bloody menu, and as far as I am concerned, shouldn't have been given any credence at all.

I am wondering if the time hasn't come to reject or ignore petitions entirely in a certification case. The basis should be the signing of the cards. If 50 per cent of the people in the unit sign, you should be satis-

fied with that. That should be where the matter ends in terms of the certification.

Mr. Carter: I think that is really a matter of policy, Mr. Mackenzie. You would have to change the act to deal with that.

Mr. Mackenzie: Then I would like to go to the minister on it and ask him if he rejects that point of view and does not see some merit in that approach.

Hon. Mr. Elgie: I'm sorry, I didn't catch what the exact comment was.

Mr. Armstrong: As I understand the thrust of the question, it was—

Mr. Mackenzie: Do away with petitions.

Mr. Armstrong: —whether or not the time has come to do away with petitions.

Mr. Saxe may have some figures. My recollection from my period at the labour relations board was that the incidence of petitions which were clear, to use the expression, and which affected the outcome, was very small—minuscule in terms of the overall number of cases.

Mr. Bounsall: In cases of petitions you mean?

Mr. Armstrong: No, all cases. I can remember a fiscal year in which I think there were six successful petitions held by the board to be relevant to the count and not tainted by management interference.

Mr. Bounsall: You are not sure how many—those six were of the total number of petitions that came forward?

Mr. Armstrong: I think Mr. Saxe has the more recent figures. Perhaps it would be useful for him to give you those figures and then we can discuss the ramifications of them.

Mr. Saxe: In 1977-78, the year being considered, there were 890 applications for certification disposed of. Of those 890 cases, petitions were received in 131 of the cases.

The petition will only be considered by the board if the numerical overlap of the people who signed the petition and the people who also signed cards is such that were the board to accept the petition it would cast a cloud on the membership evidence, reducing the unclouded membership evidence to below 55 per cent. Keeping that in mind, of the petitions that were considered, 14 were accepted and resulted in a vote being ordered. So that is 14 of 131. Forty-one were rejected as not being voluntary expressions.

Mr. Armstrong: Of the 14 that were considered and resulted in a vote, what was the result of the vote? Do you have that?

Mr. Saxe: I'll have to find it.

Mr. Armstrong: The point I was making or was about to make, on the basis of the earlier recollections and borne out by the most recent statistics, is that the petition problem is a problem in the minds of a lot of people. I was going to say an emotional problem but it's more than that; it's not doubt a real problem—but in quantitative terms, in terms of the effect it has on applications, judging from those recent statistics it's not an overwhelming problem.

In defence of the preservation of the system, it may well be that there are situations where there is a legitimate change of heart by the persons who are signatories to the petitions. If that's the case, and having regard to the majoritarian principle in the Labour Relations Act, one would have to ask a question in response to your question. Whether or not those persons who have a legitimate change of heart or who, dare I say it, may have signed the card under a misapprehension as to what the effect of the card would be, ought one to remove the possibility that those persons can change their minds?

Mr. Mackenzie: It begs the question of why the change of heart. In most cases I've been aware of, where you have some people not too familiar with the language and a number of people in the lower-paid and quite often lower-educated categories, you find that fear to this day, strangely enough, is still a factor, and if there's a change of mind usually the change of mind involves some fear of the job or some fear of somebody who has talked to them as a representative of management. How many cases do you get where you have been able to prove fraud or outright pressure on the part of the applicants? How many prosecutions or how many cases do we establish each year?

Mr. Carter: I should point out that the board is aware of some of the problems with petitions and the onus is placed on the petitioner to show that the petition is a voluntary expression of the wishes of the employees. What was the figure last year?

Mr. Saxe: We rejected 41 petitions as not being proven to be voluntary and accepted 14. Just while I've got the mike, the answer to the other question the deputy posed, the results of the 14, we can't quite give you that. Unfortunately, the other statistics are compiled slightly differently. What we can tell you is that where a certification application goes to a vote and there was a petition in the application, whether the petition resulted in the vote or not, some of them may

in a vote situation initially, one out of three is successful in being certified. There was a total of 33 cases. In two out of three cases they lose the vote.

Mr. Mackenzie: It also begs the question of whether or not they would have lost the vote had there not been that petition, because something has to generate the fear or the opposition. I really think it's worth taking a serious look at the fact that the time has come to eliminate the petitions in certification hearings. The act, as I understand it, encourages the right of workers to organize.

I think the other question I'd like to ask you is, what is the thinking of the ministry in terms of the practices that build up over the years in terms of the status of an employer at the board? I haven't appeared at hearings for a long time but I get constant babbings from some of the organizers and some of the staff people. I had the case put before me very strongly by Moe Keck of my own union just a matter of weeks ago that some time had come to make sure that the only status the employer had before the board was to verify the size and the makeup of the unit, period. In practical terms maybe there's a little more than that necessary. It was not from what's necessarily in the act, as I understand it, but from the procedures that are allowed before the board.

Mr. Carter: Perhaps I should point out that the board, under the Statutory Powers Procedure Act, is required to give standing to anyone having an interest. I think as the law now stands employers do have standing, and once they have standing they have the full right to participate in all aspects of the hearing.

Mr. Mackenzie: Why should they? If, in fact, the majority of employees have asked for the right to a union, which is their right under the Labour Relations Act, why should the company be able to stand there with status in effect in opposition to that? It's the employees who are asking to organize. What right has the employer to say, "Hey, you can't have a union here," or "I'm going to find ways and means of stopping you from having a union," or "I'm going to find ways and means of delaying this certification"?

Mr. Carter: That is certainly a question of policy. I think the answer would be to allow the board to be an exception to the rules set out in the Statutory Powers Procedure Act.

Mr. Mackenzie: I have no objection to their verifying the facts. In other words, are you or are you not a member of the unit? Are you or are you not a member of manage-

ment? Were these people working here on this date? I don't think it's their role at all as an employer to have a say in whether or not those employees are going to be certified. That decision is made by the employees, based on a majority of them signing cards.

Hon. Mr. Elgie: I haven't got that deeply into the Labour Relations Board's activities so far to be able to answer you on that in a very intelligent way.

Mr. Mackenzie: I'm simply saying it's one of the barriers there to organization and certification. It's also part of the whole package of what kind of influence management has. If the principle is that we encourage organization and free collective bargaining of the employees, then they are the ones who are making the decision. Employers, particularly some employers, can carry an awful lot of weight in terms of the inhibiting effect they have on the employees' effort to organize and certify.

Although it goes back a number of years, I've seen that personally very strongly in some of the plants I was involved in.

Mr. Armstrong: The only thing I can say about that is, like yourself, I have had some background in appearing before the board on behalf of trade unions and later adjudicating as the chairman of the labour relations board. This question comes up from time to time. You acknowledged that the employer has a role to play with respect to the composition of the bargaining unit.

Mr. Mackenzie: That's right.

Mr. Armstrong: I suppose the only other area where they could typically become involved is in those rather rare cases where there are allegations that the membership evidence has been obtained under improper circumstances.

One can argue whether or not that is a role the employer should be playing or not. I suppose, more generally, if one is looking for a rationale for the preservation of the existing system, one could say—in fact, employers do say it when they come to the Ministry of Labour, not only suggesting that amendments not be made in this area, but suggesting amendments of another character be made in other areas—that what emanates from the board's deliberations is a certificate which is the beginning of a relationship. If that relationship is to survive and flourish, then to exclude them from the birth of the relationship engenders a feeling of uncertainty and suspicion which is undesirable.

We've been talking a lot about attitudes. I would be afraid if the changes you are

suggesting were made that the co-operative spirit, which everyone hopes will develop following the issuance of a certificate, would be diminished rather than enhanced. That would be a concern I would have. I put it no higher than that.

Mr. Mackenzie: I would think it would work the opposite way. I wouldn't see that as a really serious concern at all.

I want to underline something once again because I think we're going to be into several rather unfortunate situations in this whole restaurant business very shortly. I mentioned the Howard Johnson's certification hearing. In a letter to me from the union they simply pointed out: "In an industry where there is as much turnover as the hotel and restaurant industry, this will not serve the purpose." They're dealing with the delays that took place in the one I mentioned, the Howard Johnson's case. They say: "We must see far faster disposition of the cases by the board."

The letter goes on to make some comments about the Rand formula for union security and the position of a first agreement where the employer just refuses to deal with them and expresses the hope that we can help them in raising these issues. I'm sure they have made petitions to the board as well.

[4:15]

I think you should understand the extent of the feeling and the extent of the problem being caused in these high-turnover, difficult-to-organize areas. Some method has to be found, when you get into a peak as you talked about in the business of the board, to see that in a case like that where the unit can go down the drain, we're not waiting three and four months to deal with that certification, that we're not dragging out the hearings that long. It's simply got to be done in the 30-days-or-less time frame we're talking about or you are really denying some of the rights of organization and certification to particular industries.

Hon. Mr. Elgie: I agree completely.

Mr. Mackenzie: With the agreement then, I would hope, Mr. Minister, that's an area you can seriously think about and set some time frame on fairly quickly.

Mr. McKessock: This pertains to an answer you gave this morning at the OFA convention. I'm sorry if this was brought up previously this morning by one of our members but I'm still not too clear on it. It pertains to a resolution that went through the OFA yesterday that brought about this question of right-to-work legislation. It is my

understanding that the present legislation allows anyone to cross a picket line and go back to work if the employer desires to keep the plant open. In your answer this morning, you mentioned that salaried worker could cross the picket line and go to work leaving an impression that nobody else could. Is this in fact the case or can anyone cross the picket line and work?

Hon. Mr. Elgie: If that's the impression left then I was in error, because as I understand it, anyone's free to cross the picket line.

Mr. McKessock: Whether they are salaried union, or non-union workers?

Hon. Mr. Elgie: Yes. If I said that, I was in error.

Mr. McKessock: Therefore, their resolution requesting right-to-work legislation really isn't necessary because that legislation is in place at the present time.

Hon. Mr. Elgie: It's the old thing we discussed here this morning for at least half an hour—what is right-to-work legislation? Some groups view it as a right to employment. In other words, it's a misconception that right-to-work legislation implies that there is increased employment in an area. As I mentioned this morning, in areas where right-to-work legislation has been used, namely in the southern states, it is usually construed, for want of a better word, as union-busting legislation. If that is the resolution passed by the Ontario Federation of Agriculture, then I have to say that's not legislation I'm contemplating. Your associate Mr. McGuigan agreed with that point of view this morning.

Mr. McKessock: If you take it that going back to work when a strike is on is union-busting—

Hon. Mr. Elgie: That's not right-to-work legislation in the connotation that everybody in that sort of industry understands. Right-to-work legislation is the type I referred to, used in several states of the southern part of the United States.

Mr. McKessock: What is the meaning of that legislation? Does it mean that when a strike is on—

Hon. Mr. Elgie: No, it has nothing to do with a strike. It means that management is not bound by any collective agreement it has to hire whomever arrives and applies for a job. Management can hire whomever it wishes and they're not part of the union.

Mr. McKessock: They're not bound by any—

Hon. Mr. Elgie: Collective agreement.

Mr. McKessock: —which makes the union contract—

Hon. Mr. Elgie: It's called union-busting.

Mr. McKessock: —ineligible.

Hon. Mr. Elgie: I don't assume you mean at kind of legislation.

Mr. McKessock: No. My impression was meant they could have the right to go to work during a strike, and in that case they do.

Hon. Mr. Elgie: Sure they do. We have at case now in a company—I don't want to discuss it at the moment—where there are a couple of unions and one of them would like to go to work. They have the right to go to work if they wish.

Mr. McKessock: A couple of the unions—

Hon. Mr. Elgie: In the same plant, yes.

Mr. McKessock: I'm referring now to a union that is out on strike. Supposing some of its members wish to go back to work.

Hon. Mr. Elgie: Members of that union?

Mr. McKessock: Members of that union.

Hon. Mr. Elgie: Yes, they have the right to go back to work.

Mr. McKessock: They can go back. Then it's up to the union. They may kick them out of the union for going back.

Hon. Mr. Elgie: Yes, I said this morning it's a matter of their own union constitution now they deal with it.

Mr. Bounsall: Prior to 1975 and those changes to the Labour Relations Act, one heard the arguments that the reason you wouldn't amend the act to shift the onus of proof in the area of being fired for union activity in the initial certification attempts was that it really wouldn't matter anyway. Back then the onus was on the employee or the worker to prove he was fired for union activity.

In the 1975 amendments you did, in fact, make the suggestion which had been coming over the years and reverse that. The onus is now on the employer to prove that he didn't fire the worker for union activity. The arguments up to 1975 were that once you've joined it doesn't really matter. I've always felt very strongly that it did matter and that the case of the employer having to prove that he didn't fire the worker for union activity would, in fact, be a much preferable position to be in.

We've now had the act for some three and a half years. What has been the experience before the board, if any, on this point? Has that legislative change made a difference in terms of workers being re-

instated when they have been fired under circumstances that related to union activity and initial certification? Have there been fewer firings? Have there been fewer cases come before you? In the cases that have come before you has there, indeed, been more of an onus on the company? Have they had more difficulty in proving that they didn't fire a worker for union activity than being able to make a counter-argument when the employee was trying to prove in the pre-1975 era that he was fired for union activity?

Mr. Carter: I take it that your question is whether the success rate on section 79 complaints brought by individual employees where they've been dismissed has improved as a result of changing the onus.

Mr. Bounsall: That's right.

Mr. Carter: Do we have any figures on that?

Mr. Saxe: If you'll give me just a minute, I've got the current figures but not the figures for four or six years ago. I'll just see if we can get them.

Mr. Carter: I think we might have something on that. We have the current statistics with us. We can provide that quite easily.

Mr. Bounsall: Do you have any feeling that it has improved the situation from the workers' point of view?

Mr. Carter: Frankly, I think it does make some difference. I think that when the board is faced with a case where the evidence is evenly balanced, we choose in favour of the employee. We have to, because that's what the law tells us to do.

Mr. Bounsall: So it has made at least that change.

Mr. Carter: That's my personal opinion.

Mr. Saxe: While we will supply you with statistics, I would caution that it's going to be difficult to read them. There have been an awful lot of other changes in the last four years to the state of the economy, the kind of case being filed, even the number of cases that have been filed has increased drastically.

Mr. Bounsall: The number in that area?

Mr. Saxe: The number of section 79 cases alleging a discharge for union activity has doubled since 1974.

Mr. Bounsall: You say the type of complaint has changed?

Mr. Saxe: The 1975 amendments allowed for a whole new type of complaint to be made under section 79 as well, so that's also changed. There have been some pretty

fundamental changes in the kinds of complaints as well as the number.

Mr. Armstrong: Yes, but you could extract from your 79 complaints those relating to discharge and discipline. Then the comparison would not be, it seems to me, difficult to make.

Mr. Saxe: The statistics would be more difficult to gather, but the comparison would be more legitimate.

Mr. Bounsall: I have one other question. It's on a completely different matter. It relates to how affirmative action is working at the Labour Relations Board. We have as the major thrust in affirmative action the employment of women, the opportunities that women have for employment at the board and the new initiative taken by the ministry this spring on the handicapped. What sort of contact has the board had in these areas of affirmative action and how has it responded?

Mr. Carter: I'll let Mr. Saxe answer that question since he is responsible for the day-to-day administration of the board.

Mr. Saxe: The board, working with the ministry's women's adviser and the women crown employees office, has developed an affirmative action program for hiring people at the board. That program was developed in 1976. The changes that have occurred this year as compared to, say, 1975, the year before, can be seen in the management positions of the board. Of the 16 senior field staff positions, in 1975 none of them was occupied by a woman. Today three are. Of the 10 vice-chairman positions currently existing—I think in 1975 there were seven sections—none was previously occupied by a woman while today two are.

Looking at the entire senior staff position at the board, there are now 30 positions, six or 20 per cent of which are held by females. In 1975, there were 24 positions, one of which was held by a female. That was slightly over four per cent. That's been the change, and quite a progressive one, in the management picture at the board.

The key provision in the affirmative action program at the board is the establishment of a bridge position particularly to the senior field staff operations, which enables us to provide a training position to bring women into the field staff.

Mr. Bounsall: I've read that phrase, "bridge position," and I've had my own thoughts on what the particular phrase means. Would you care to expand on that? Just exactly what

do you mean by the key being a bridge position?

Mr. Saxe: The position I'm talking about is called an examiner. It gives us a position which in its responsibilities lies between the senior responsibility's help in the bargaining unit positions and senior clerical staff and those kinds of responsibilities exercised by a full member of the field staff. Therefore, it allows us to train someone along from the one group into the other. Hence, the term bridge position.

Mr. Bounsall: I see.

Hon. Mr. Elgie: It's a ladder, as a matter of fact.

Mr. Bounsall: Does the women's adviser or the women crown employees office have with you a goal to achieve? You've done this much so far, and that's certainly an improvement. Do you have with them an objective you are striving to reach? Have they placed before you an objective? Do they come in and vet the program from time to time? What do they do with you to achieve the goal that when we ask about it a year from now it will again be an improved picture from what we have now.

Mr. Saxe: There is one major annual report and meeting. Every time we have a vacancy, a review is carried on as to what can be done with that vacancy in the way of affirmative action. No quota or precise goal has been set, but I think there's a commitment to improvement.

Mr. Bounsall: What about affirmative action for the handicapped? Has that had any effect as well on your hirings?

Mr. Saxe: We haven't as yet developed a precise plan or prepared statistics on the affirmative action program for the handicapped, but the board has set itself a goal again of reviewing positions when they do become vacant to see if there is a possibility there of taking affirmative action in regard to the handicapped program. We have done this. We now have on the board staff which would fall into that category.

Mr. Bounsall: Is there any category of handicapped that you yourself can see employing as opposed to another or different category?

[4:30]

Mr. Saxe: No, I think it varies from position to position as to what kind of handicaps aren't actually going to be a major interference with performing the job which, of course, one couldn't have. There are all kinds of handicaps where, as with all jobs,

There is simply no interference in performing the job. The affirmative action program is to help people who might be reluctant to apply, who might mistakenly consider that their handicap is an interference with performing the job, and make them aware of those positions and of our willingness to train them into these positions, and to actively encourage their applications.

Mr. Chairman: Mr. Bounsall, we have run out of time. It is now 4:30. Before we adjourn, can we carry vote 2308?

Mr. Bounsall: No, I have some more material.

Mr. Chairman: I thought we had agreed that we would clean it up this afternoon within an hour. I was under the impression that was the assurance that was given by Mackenzie.

Mr. Bounsall: Was there an agreement to clean it up this afternoon?

Mr. Chairman: Yes. It was one hour, was it not, Mr. Minister?

Hon. Mr. Elgie: I asked Bob how long it would be, and he said no more than an hour and a half.

Mr. Chairman: We have gone almost three hours on this one vote.

Mr. Haggerty: I've been waiting all this time—

Mr. Bounsall: You could have come in at any time; no one was inhibiting you.

Hon. Mr. Elgie: It wasn't a formal agreement.

Mr. Chairman: I agree it wasn't a formal agreement, but I was under the impression that we were going to clean this vote up this afternoon. There is staff here who have been brought in; now we will have to bring them back for tomorrow night.

Mr. Ruston: We have a lot of other votes to get to. Since we spent all day on this one, we should have something else—

Mr. Chairman: That's right. We have gone almost three hours on this one this afternoon.

Mr. Bounsall: Agreed.

Vote 2308 agreed to.

Mr. Chairman: Okay. We shall adjourn until tomorrow night at 8 o'clock.

The committee adjourned at 4:32 p.m.

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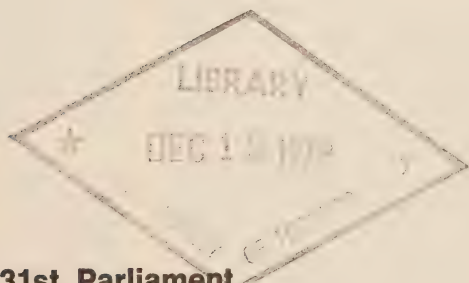


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Labour



Second Session, 31st Parliament

Thursday, November 30, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, NOVEMBER 30, 1978

The committee met at 8:05 p.m.

ESTIMATES, MINISTRY OF LABOUR (continued)

Mr. Chairman: Members of the committee, ladies and gentlemen, we now have a quorum. I would just like to inform the committee that Mr. Haggerty will be substituting for Mr. Riddell, representing the Liberal Party.

Ms. Bryden: On a point of order, Mr. Chairman, could I move a procedural motion that this committee deal with the liquid industrial waste interim report at 10:30 tonight? I don't think it will take very long. I think the members have all seen it and they would like to get it adopted. I'd like to move that, if you'd accept such a motion.

Mr. Chairman: Ms. Bryden, I think it's going to take more than a few minutes after 10:30 to complete that report. I think it's about eight or 10 minutes long is it not?

Ms. Bryden: I think all the members have had copies now for a week.

Mr. Chairman: It's up to the members of the committee whether they want to.

Ms. Bryden: I spoke to Mr. Gaunt, who is the environment critic for the Liberals, and he was agreeable to that procedure if the other members of the committee thought they could stay, assuming it would take 15 or 20 minutes. If it takes longer we may have to discuss some other time on it.

Mr. Chairman: This is it. What is the opinion of the other members of the committee? Do you want to discuss this liquid industrial waste report following our adjournment tonight at 10:30, or would you leave it to next week, perhaps Tuesday or Wednesday? Perhaps Wednesday afternoon would be a better time.

Mr. Haggerty: Are there any staff members of the ministry who can deal with this?

Mr. Chairman: This is with the Ministry of the Environment.

Mr. Haggerty: The Ministry of the Environment?

Mr. Chairman: Right. This is a report that the committee has been charged with making

a recommendation on to present to the House. The committee will be sitting on Wednesday morning and I thought it might be better for us to have the presentation in the afternoon.

Ms. Bryden: Is it definite that we have a plan to sit Wednesday afternoon? I thought the motion in the House only covered last Wednesday.

Mr. Chairman: Ms. Bryden, with the time left, we have 10 hours and 40 minutes and we're rapidly running out of time.

Mr. Haggerty: Mr. Chairman, our official critic, Mr. Murray Gaunt, is not aware of this proposal here tonight.

Ms. Bryden: Yes, I just spoke to him about it.

Mr. Haggerty: I don't know if he's ready or not to go with it. I would suggest that perhaps next Wednesday would be the time to do it.

Ms. Bryden: I just spoke to Mr. Gaunt. He is willing to do it tonight if the committee accepts it.

Mr. Haggerty: I'm sure it won't last for 15 minutes. That's rather forcing it.

Mr. Chairman: That's why I was a little sceptical when Ms. Bryden said it would only take five minutes.

Ms. Bryden: All members have had a copy for over a week and it was drafted by an all-party committee so I think there is considerable consensus on it. It's a recommendation from meetings in October that we would hope the ministry would be getting on with. If the committee doesn't act to adopt them the ministry is under no obligation to start implementing them.

Mr. Chairman: I'm sure that the minister will act in due haste the minute he receives the report of the committee, so—don't make me laugh.

Ms. Bryden: Could I move that we deal with it Tuesday as being the next meeting? We would be giving notice to people.

Mr. Chairman: The only thing is, Ms. Bryden, the reason I'm suggesting Wednesday is because after sitting here all day, and then sitting beyond 10:30, I think the hour is rather late to discuss any further things relating to whatever we're discussing.

Mr. Haggerty: You'd probably have to get permission from the Speaker too.

Mr. Chairman: I don't think it's necessary, no, it's just an agreement of the committee. You're suggesting Tuesday and I'm suggesting Wednesday afternoon when we have clearer minds and more time.

Ms. Bryden: Will we still be on Labour estimates?

Mr. Chairman: We'll be doing Labour estimates on Wednesday morning. Following Labour estimates we could perhaps go into the report without any interruption. We sit from 10 to 12:30. After 12:30 we could go into the report on liquid industrial waste.

Ms. Bryden: You would do it on Wednesday morning. Is that what you're suggesting?

Mr. Chairman: Following the Ministry of Labour estimates. When we adjourn at 12:30 we could have the report on liquid industrial waste. If you say it's only going to take five minutes—it may take half an hour. But that only puts us to 1 p.m., which is still not too bad.

Agreed to.

On vote 2304, occupational health and safety program:

Mr. Haggerty: I noticed in the program of activities, related to vote 2304, there has been a substantial increase in the estimates dealing with the program administration. Do you want to deal with all these at once?

Mr. Chairman: Sure. What is the wish of the committee?

Mr. Haggerty: I think we would be covering a rather broad area. You probably would be covering—we will be covering—

Mr. Chairman: We'll stray off the beaten path on each item so we may as well cover items 1 to 8 in a broad scope.

Mr. Haggerty: In the 1976-77 estimates you spent \$225,530. In the 1977-78 estimates, it's \$2,140,000. In the proposed estimates for 1978-79, it's \$2,415,800.

Does this apply to the full complement of staff that deals with the new area the ministry has ventured into, that is, as it relates to industrial hygiene?

Hon. Mr. Elgie: Would you reply to that, Dr. May?

Dr. May: You are talking about program administration?

Mr. Haggerty: That's right. I think last year we were questioning the need for additional complement to provide sufficient protection and inspection throughout every in-

dustry in the province. Do you have sufficient qualified staff now to carry this out?

Dr. May: If we can deal with the program administration area, that is an area which deals with the monitoring and the development of programs. It has three specific areas in it whose function is to study and monitor the programs, to keep a watch on trends and happenings, to discuss these with a particular branch which is related to that activity which has to be run, and to assist them in developing programs which are going to meet those needs.

It does contain technical people comparable to some of those which exist in the occupational health branch, the mining branch, construction, industrial safety.

Mr. Haggerty: Do you have sufficient numbers to carry out the program that required for the public inspection of industry?

Dr. May: Within that group, yes.

Mr. Haggerty: You do?

Dr. May: Yes. At the present time.

Mr. Haggerty: How many would be included in that complement?

Dr. May: The total complement at the present time is 59.

Mr. Haggerty: And just what would that consist of? What type of technicians, persons in the area of skilled persons would be there?

Dr. May: Mr. Heath is the director of the. He can give you the latest figures and relationships.

Mr. Heath: One of the groups concerned with hazard identification is a group of chemists, chemical engineers, biologists, mechanical engineers, electrical-mechanical engineers. That group is concerned with identifying hazardous substances and hazardous conditions.

The other group, which consists of professionals, is the industry sector programming group which is broken down into three components, one dealing with construction, one dealing with industrial, and the other with mining. They contain, respectively, engineers with construction experience, engineers with industrial experience and mining engineers [8:15]

The other group in program analysis and evaluation is basically a research component with operations research people in it. The fourth component is called advisory service. That group is concerned with the publication of the results of the research and the findings that are produced by the other groups.

Mr. Haggerty: They are all knowledgeable in the area of occupational health sciences, are they?

Mr. Heath: Yes, that is correct.

Mr. Haggerty: How many industrial hygienists would there be in this particular group?

Mr. Heath: I don't believe we have a single qualified industrial hygienist in that particular group at this time. However, we use the resources of the other branches where they do have industrial hygienists to consult on matters that industrial hygienists are knowledgeable of.

Mr. Haggerty: Is this group of personnel located in any other place or just in Toronto?

Mr. Heath: They are all located in Toronto.

Mr. Haggerty: There are none in, say, northwestern Ontario or northeastern Ontario, in particular in the mining sector?

Mr. Heath: They have a research orientation. They work closely with the line branches—that is construction, mining and industrial—to get the first-hand knowledge of circumstances within the work place.

Mr. Haggerty: What is the complement that perhaps travels for inspection purposes from one industry to another? Where are they located?

Dr. May: Those will be in the occupational health branch, in terms of the technological people, the hygienists, the physicians, the nurses.

Mr. Haggerty: Yes, the health physicists all so forth.

Dr. May: The health physicists are in the special studies group in the radiation protection service.

Mr. Haggerty: They are all located here in Toronto; none of them is moving about in industry in Ontario. Say, for example, you are dealing with radiation; there is no staff or complement located in the Elliot Lake area?

Dr. May: Not located and operating out of any other centre but Toronto, not in the radiation protection service. There are staff being located in Ottawa, London, Sudbury and Hamilton.

Hon. Mr. Elgie: We are just in the process of this now, decentralizing the health portion as opposed to the safety portion. They are moving to the centres which Dr. May just indicated.

Mr. Haggerty: Where the activity is, is that what you are telling me?

Hon. Mr. Elgie: Yes, the health section joining the safety section in a decentralization. Is that correct, Dr. May?

Dr. May: Yes.

Mr. Haggerty: I believe it was last year we discussed the matter about the different industrial health courses your department was going to establish in some of the colleges and universities. Have these been established now?

Dr. May: Yes. One major joint program has been established. It is a joint program between the University of Toronto and McMaster University. This is geared to producing occupational health physicians, occupational hygienists, and health engineering graduates. McMaster University in conjunction with Mohawk College is shortly to begin a course for occupational health nurses.

Hon. Mr. Elgie: What other community colleges offer related courses, Dr. May?

Dr. May: Humber has courses. Algonquin College is offering an occupational health nursing certificate course. Those are the major ones at the moment.

Mr. Haggerty: Is there any other area, say, in northern Ontario that will be implementing such a program in the colleges?

Dr. May: Yes, this is currently being discussed with the four resource centres which are being established. One of the activities they propose to engage in, in London and Waterloo and Kingston, is the offering of special cases to meet the needs of occupational health personnel in their particular area.

Mr. Haggerty: What about Laurentian University at Sudbury and what about Lakehead? These are the areas closer to the problem than down here at Waterloo and Toronto. We have neglected them in almost every area of the government. I am only suggesting that perhaps this is the area we should be funding, to provide a program of training in this particular area in the universities and colleges in northern Ontario.

Dr. May: This was the purpose of establishing these resource centres, to survey the area, find out the types of industries, the types of problems, make an inventory of the available occupational health and safety personnel. Having defined the needs, that will then be their opportunity to decide and design whichever courses are necessary to bring about the right numbers of people to deal with the problems.

Mr. Haggerty: Yes, but where will these educational programs be made available? In the universities here in southern Ontario?

Dr. May: No, out there where the problems are. This was the whole purpose of locating them outside Toronto.

Mr. Haggerty: You have had a year now on this study area, have you not?

Dr. May: No, not all of the resource centres have been operating for that length of time.

Hon. Mr. Elgie: Where are the centres now? There is one in Lakehead—

Dr. May: Yes, London at Western, Kingston and Waterloo.

Mr. Haggerty: Any in northern Ontario at all?

Dr. May: Lakehead.

Hon. Mr. Elgie: In terms of education, too, I think it is fair to say that at the present time there is also an educational program going on at Geneva Park in Orillia run by the Ontario Federation of Labour. They finish a four-week intensive program next Thursday.

Mr. Haggerty: This is subsidized by the Department of Labour—and the Ministry of Labour too?

Hon. Mr. Elgie: That particular course comes out of funding from lottery money.

Dr. May: There are two other courses currently going. Lambton College is offering courses in industrial hygiene. Cambrian is offering one in noise control.

Mr. Haggerty: The minister mentioned the grant money available. I believe it was last year the Ministry of Labour had received substantial funding from the lottery funds in Ontario. What areas of research are we looking at and how far have those studies advanced?

Dr. May: Are you talking about the awards made in this current year? There have been training and development awards for programs to McMaster, Toronto, and a large number to Cambrian, Lambton, Humber, Mohawk and Ryerson. Those relate to institutions. Also a large number of grants have been made to individuals who wish to pursue courses in some branch of occupational health or safety or a related science. This is education and training and this is from the lottery funds.

Mr. Haggerty: I thought there was mention last year that you were going to get into some areas of definite research in the area of carcinogenics.

Dr. May: No, this was not the intention— not through the lottery funds. The lottery fund research money is made available to

people who make specific proposals and quests for clearly defined projects.

Mr. Haggerty: Have any of those projects been completed then?

Dr. May: No, not completed yet—\$230,000 went out this year and \$221,000 last year.

Mr. Haggerty: This is in the area of research—

Dr. May: Applied research relating to a thing in terms of occupational health and safety.

Mr. Haggerty: Is there anything specific you can tell me then? You are covering rather broad area there. Any particular area the ministry is studying?

Dr. May: Yes, there is one major one going on through the University of Toronto with Dr. Alberti relating to noise, hearing and hearing protection.

Mr. J. A. Taylor: Supplementary to the Chairman: Do you have the terms of reference in regard to the availability of the lottery funds? As I gather, you would have to comply very stringently with a set of eligibility requirements in order to get the moneys for your type of research. Do you have those criteria available?

Dr. May: Yes, I think we have a copy of it here. Do you want it?

Mr. J. A. Taylor: Yes, could we see it? The other supplementary was the amount of money involved in terms of your allotment from Wintario funds. I didn't think I had overlooked the amount mentioned.

Dr. May: The amount that was available in 1977-78 was \$1 million, and that was totally distributed.

Mr. J. A. Taylor: So that any project has to fall within these criteria that I have just been handed?

Dr. May: That is right; and those criteria are reviewed by the two award committees—one for manpower training and development proposals and the other for applied research proposals. They are two separate committees.

Mr. Haggerty: There is nothing that is specific in this related to the potential chemical hazards that workers are involved with day by day. Is there no money set aside to go into this particular area for a study or research in it?

Dr. May: I don't think there have been any major proposals on that subject for research money.

Mr. Haggerty: Is the ministry not concerned about the hazardous conditions that almost every employee faces today? Previously to this, we were talking about the industrial

chemical wastes that we seem to have some hard time to control and to find some way to dispose of in a safe manner.

The American Environmental Protection Agency suggests there may be as many as 50,000 chemicals in everyday use and 1,500 active ingredients in pesticides. The American Chemical Society's Chemical Abstract Service, had this to say in November 1977: "The computer registry of chemicals contains well over four million different chemicals that are on the market, and they are growing at an average rate of almost 6,000 per week." This seems to be an area that perhaps has been neglected in Ontario; it relates to the chemical hazards that a number of employees have to face.

It is also suggested that there are about 100 carcinogenic agents that are chemicals which perhaps require additional study. One of the top ones is in asbestos, nickel, coal tar, pitch, chromium, thallium—there is a whole list of them that are classed as definitely hazardous chemicals. I was hopeful that, some time soon, the Ministry of Labour would be making a study in this particular area as it relates to some of these top chemicals.

Dr. May: Currently, through McMaster University, there is a study going on of nickel workers. There is a study of radionuclide contamination of medical and research laboratory workers; this is being run out of West-tn.

There is a survey being conducted on the use of hazardous materials in industry; this is done through the University of Toronto. A second one concerns the distribution of asbestos dust in construction activities. A third one, through the University of Toronto, deals with environmental chemicals and their effect on human tissue. A fourth, at McMaster, relates to air mutagenicity and lung cancer. Those are the major ones going on at the moment.

Mr. Haggerty: How long have these studies been going on now?

3:30]

Dr. May: Three of them for a year, one of them for two years and all of them are three-year programs—initially. That's the initial phase of that study. They may well extend into a fourth and fifth year, depending on the findings of the first phase.

Mr. Haggerty: It's not in stages, is it, that they're supposed to report back to the ministry?

Dr. May: They have to report back, yes, periodically, as to progress.

Mr. Haggerty: I see.

Dr. May: On a three-month basis and an annual basis.

Mr. Haggerty: You don't happen to have the first stage of any of these reports or studies, do you?

Dr. May: Yes, we have some. I don't have them with me.

Mr. Haggerty: Are they available to members of the Legislature or members of local unions?

Dr. May: Yes, they will be.

Hon. Mr. Elgie: I'd have to see what stage they're at but they're not being prepared for any other purpose than public knowledge. They have to be at a stage where they are meaningful.

Dr. May: It's not usually profitable to study them until the project itself is nearing completion and they've begun to form some conclusions.

Mr. Haggerty: Are they running into any difficulties? I believe I read someplace that they're spending much of their time trying to trace back former employees who have worked in a particular industry that has moved—

Dr. May: This is a major difficulty with retrospective studies, trying to trace people back 10, 15, 20 years, particularly where, as you have in this country, there is a highly mobile work force.

Mr. Mackenzie: How much actual tracing are we doing? As I recall from the estimates last year it was largely up to the unions to trace back workers, particularly in the coke oven cases. We talked about some of the ovens that were used in the gas plants in Hamilton and the tracing wasn't done by the ministry. It was done by the unions.

Dr. May: In terms of the Inco study this is being done by Inco and McMaster. In terms of an asbestos study which is being done, this is being done in conjunction with the special studies branch and with Canadian Johns-Manville Company Limited.

Mr. Mackenzie: The special studies branch is part of the ministry?

Dr. May: It's part of the occupational health and safety division.

Mr. Mackenzie: They are actually out doing the chasing down of the workers where they are?

Dr. Muller: The usual technique used is that a nominal roll is being set up giving identifying information that might be available—that is, surname, given names, date of birth. It is then possible with this type of

information to search a central file of death information which is being kept by Statistics Canada. Using certain computer techniques, we can then identify those who have died and we can identify the cause of death. We can't find the people who are still alive because we don't have the facilities to do that.

Mr. Haggerty: They should come to my area.

Mr. Mackenzie: Are there any efforts being made at all to find the ones still alive?

Dr. Muller: In practice this is extremely difficult. I think the only way to do this would be through advertising, et cetera. It would not be, I think, a very useful procedure.

Hon. Mr. Elgie: I spent some time with Peter McCrodan the other day on asbestos in mines in Reeves township. Can you give us some information about the study that was carried on there and the difficulty that was encountered in trying to find the miners?

Mr. McCrodan: After the Reeves mine was closed we tried to find out what the condition of the families was and the study was launched. I think about 20 per cent replied. Although they were in the camps and they were contacted personally—they were all contacted by letter and by advertisement—only 20 per cent responded for the survey. That included not just the parent who was working but the families at home, all those involved.

Hon. Mr. Elgie: The other day, if you'll recall, someone asked about following up people in the community. I was advised that Dr. Keith Fitzgerald from the public health unit in Scarborough carries on followup. Dr. May, do you have any information about the study that Dr. Fitzgerald carried out on the people in Scarborough that lived around the Johns-Manville plant?

Dr. May: No.

Hon. Mr. Elgie: But you know he carried it out.

Dr. May: Yes.

Hon. Mr. Elgie: I don't have that available—it wasn't under our ministry—but he did carry out the study and we are trying to dig out that report. It might be of interest to you.

Mr. Haggerty: Mr. Chairman, this seems to be rather a problem area and I'm deeply concerned that we haven't had proper records kept of persons employed in hazardous areas in industries in Ontario. I hope the ministry is going to have a proper cataloguing of all persons now employed in mines and chemical plants and industry like that.

Are we going to have a proper cataloguing of all those persons?

Dr. May: At the present time the only catalogue of these people in the majority of instances exists within the companies themselves. That type of catalogue doesn't exist other than perhaps in terms of workers exposed to radiation hazards where there is legislation requiring certain statutory examinations and exposure hazards.

Mr. Haggerty: But it does not apply to any other industry, say, in chemical particularly.

Dr. May: Not at this present time.

Mr. Haggerty: For exposure in working around chemicals, there's nothing in this—

Dr. May: No.

Mr. Haggerty: Does the minister plan on bringing forth some legislation or regulation so that you do have a record where these persons are employed in an area of a particular industry that is perhaps more hazardous than other areas?

Dr. May: There are specific lists relating to special hazards, such as vinyl chloride, for instance, where the occupational health studies group has been looking at this as a specific problem. They do have records of all those people purely on account of their research activity and their study activity. There isn't a general list kept of all workers exposed to any particular hazard. One of the activities which is very necessary to have to monitor health effects is to relate exposure levels to these people over a continuing period of time. This is something for which we would anticipate having some regulatory activity requiring this through legislation or through regulation.

Mr. Haggerty: Are you monitoring an industry now that's involved in the use of chemicals and hazardous chemicals and so forth and even, say, in mines and other areas?

Dr. May: Yes, this is being done by the particular branches; in mines by Mr. McCrodan's branch and in industry generally by Mr. Nelson's branch.

Mr. Haggerty: Do you have all the industry catalogued now as it relates to the type of chemicals that are being used?

Dr. May: No, this has not yet occurred. This, as you know, was discussed in last year's estimates debate and a program was started to get each industry to define the type of chemicals it introduces into the plant—the processes, the by-products, the end products and so on. This is still an ongoing

ercise and is going to take some considerable time to develop.

Mr. Haggerty: Is industry co-operating with the ministry?

Dr. May: To the best of my knowledge the majority of them are.

Mr. Haggerty: Yet we haven't had a full input in it for the ministry to go in the plants themselves and get all this information.

Dr. May: Not into every plant. The process has been to develop a check list of the hazardous chemicals which are a major concern to us, and for inspectors when they do their normal inspections to leave these check lists with the industry, explain what's required, then either have them returned or on their next visit collect them. It's really a development of an inventory of materials in use in those industries currently covered by legislation.

Mr. Haggerty: How effective are the health and safety committees in these industries? Do you have much dialogue with them on the particular question that I have been leading up to? Where there is a health and safety committee, do you have exceptionally good dialogue with them? Is there any information that passes between the health and safety committee to the ministry?

Dr. May: Oh, yes, through the inspectors and through the administration of each branch. Mr. McNair can probably tell you more about the industrial activity in terms of health and safety committees.

Mr. McNair: Most of the committees that exist in industry, of course, are in the plants that have union representation. In each of their inspections that are carried out by the officers, they contact the representative of the union prior to beginning the formal inspection which takes over, in effect, a means of evaluating how they have been conducting themselves with the internal responsibility system in the plant. So the contact by the inspector is with a representative of the union who is on the safety committee, usually, or else who is the president of the board of the union.

Mr. Haggerty: Is there a safety committee in the mines in the Elliot Lake area? Are there safety committees involved?

Mr. McCrodan: Yes, they have safety committees at Denison and Rio. All the mines have safety committees. I guess there are about three small mines that do not have them out of the 40 major mining operations. The small mines have fewer than 15 people. There is one company that is non-union that

has a different system, but they include everybody. They don't just work it by committee; they work it by the whole group and they meet weekly and then monthly and have a wide-open session.

Mr. Haggerty: How effective are these safety committees?

Mr. McCrodan: The one that has the wide-open session is most effective in getting results. They have the best record across Canada. It won the Ryan Trophy award three years in a row. The safety committees are very effective as far as getting problems to the fore is concerned. They are becoming more effective as time goes on, especially now that they send their reports to our branches. We get the reports of each of them and we can see a storm developing if something is going to arise.

It works out very well and by taking the safety and health reps with us on our inspections it has solved a few of the problems of involvement in inspections. It also gives them an opportunity of learning how we do an inspection, and frankly some of them are good. I think they keep us on our toes.

Mr. Bounsall: I have a supplementary on this question, if I could. Just because the mine is smaller, I would think it doesn't necessarily make it any safer. Have you been urging the management and the employees of these three mines that have 15 or fewer employees to form a health and safety committee, or at least have a health and safety rep from the workers? Have you been urging that?

Mr. McCrodan: Yes. As a matter of fact, two of the three are waiting on the union group now to give them the names of their people.

Mr. Bounsall: So there will be a committee there.

Mr. McCrodan: Yes. We strongly urge that they have a committee.

Mr. Bounsall: The one that isn't unionized, what is happening there?

Mr. McCrodan: That is a very large company. It is non-unionized. As I said, they meet in a total group and that's the one that is most effective. Everybody is involved.

Mr. Bounsall: And that group does encompass one mine that has only 15 employees. Is that right?

Mr. McCrodan: No.

Mr. Bounsall: I thought you mentioned that there were three little mines.

Mr. McCrodan: Three small mines with fewer than 15 people.

Mr. Bounsall: All right. You have covered that two of them are unionized and are about to have a committee. What about the third one?

Mr. McCrodan: The last one? That's the only hold-out we have. They are just under way right now. Actually, they are run by a contracting group and they are not yet launched into their full-fledged production schedule.

Mr. Bounsall: You mean the mine is just starting out, is that it?

Mr. McCrodan: That's right. They are in their early development stage.

Mr. Bounsall: If the workers there have any expertise at all or can get it, that would be the one, when it is just starting out, in which to have all the proper safety equipment installed.

Mr. McCrodan: That's right. We encourage it. We are trying to get things organized in that regard. They do have a safety rep, but they don't have enough people to have a committee.

Mr. Bounsall: They have a safety rep already?

Mr. McCrodan: Oh, yes. We take their people with us on inspections.
[8:45]

Mr. Armstrong: Dr. May has a further answer to your question about the gathering of data.

Dr. May: Mr. Haggerty, those resource centres I mentioned are out surveying industry. In the course of surveying that industry they will be doing exactly the same sort of thing with each industry, identifying the type of materials used, the type of processes, the hazards which can be identified, supplementary to the activity which is being carried on by the inspectors as they go around on their audits and inspections. To date we have sent out some 2,000 of the forms which were originally designed and I believe we have had something of the order of 150 returned.

Mr. Haggerty: When did you send the 2,000 out?

Dr. May: I think it started in March.

Mr. Haggerty: And you had how many replies?

Dr. May: I think at the last count it was 150. That number may have increased.

Mr. Haggerty: It's not too good a return, is it?

Dr. May: It's a very slow return. In many cases there is some explanation required, because it's very difficult in some areas to

identify some of the materials in proprietary mixes of substances. Very often the completion of the form is left by management until the next visit of the inspector, who then goes into it in some detail and then expands on it and then gets the answer and that's on a more form. It is a very slow process, except in those larger industries.

Mr. Haggerty: I understand that since we have had the Ham commission report dealing with mine workers and the conditions they were involved in, we have seen some major improvements in the mining sector in Ontario and particularly around the Elliot Lake sector.

Hon. Mr. Elgie: From what I understand from Mr. McCrodan, and certainly when I visited the mines and went down in the pits, that was the impression I got.

Mr. Haggerty: What improvement has been made on the respirator? That's the breathing apparatus that the miners have been using in the uranium mines.

Hon. Mr. Elgie: As you know, we do have a problem in uranium mines with jurisdiction. I am sure you are well aware of that. The Atomic Energy Control Board really has control over that area. At the present time the respirator that's used primarily, let's say in the Denison mine, is called the airstream helmet and there are some features of that that are good and there are some features about it that concern me. There's also the ordinary mouth respirator that some of the workers use.

I think anybody who goes up there knows this is an area that we have to be concerned about. I have great hopes that when the federal government passes its new bill it will give our health and safety division a little more authority in those mines than it does now, but I must tell you that even without the authority I'm impressed that Peter McCrodan has accomplished a remarkable amount of co-operation up there, just a remarkable.

Mr. Haggerty: I understand the new type of respirators the miners are using work very well until the glass or shield gets fogged up either from the sludge or water or something down in the mine, and they will throw the shield up and, of course, they are breathing in all the contaminated air and we are not much further ahead now than, say, three or four years ago.

Hon. Mr. Elgie: There are two types of ways in which they do mining up there and one is the mechanical way with a haulage machine—I don't know the name of it, but the wonder man back there knows the name

—in which case the airstream helmet isn't objected to the spraying and the splashing, and my own observations indicate the men do wear them all the time. The problem that you quite rightly point out is where they are using the jackhammers. In other words they are holding it in their hands and water flowing along as they drill, and in that case it can spray back over the helmet and the men, in frustration, sort of flip it up so they can see what they are doing.

You are right on, it's an area that causes a lot of anxiety, and caused me that day, some anxiety and we hope that's something that can be resolved very quickly. We did see the plans that are made to improve not only the air intake but the exhaust systems, with one major stage being ready for completion by February and the second stage of the whole process to be completed by June at the Denison mine. I have to give them credit; they have limited the area where these airstream masks are mandatory down to about four areas, so it's a very small portion of the mine that requires the airstream masks on a mandatory basis, but that still doesn't mean it shouldn't concern us, and it does, and we have indicated our concern.

Mr. Haggerty: Are there any funds available from the Provincial lottery to allow the Ontario Research Centre to get into that area? Perhaps they may be able to develop a better helmet for the miners. Have you considered that?

Hon. Mr. Elgie: Dr. May, do you have any knowledge about any research going on with helmets and respirators?

Dr. May: There's none through our lottery funds as far as I know. The only research in the radiation area in terms of equipment is attempting to develop a useful radiation dose meter for the individual.

Hon. Mr. Elgie: Just as an aside, it's also apparent that down underground there, which is miles and miles of tunnels that cars drive around in, diesel fuel is another element. I understand from the people up there that there's a project going on at Laurentian University to study the hazardous effect of hydrocarbons and ways of eliminating them from the atmosphere. As you know, the carcinogenic substances can be activated by other substances in the air and can be activated by their own genetic predisposition to the problem. It's important that we not just zero in on uranium but that we also look at other matters that are contaminating the air in the mines. So hydrocarbons are being examined as well.

Mr. Haggerty: So I suppose when we get a combination of the radon gases—

Hon. Mr. Elgie: That's the uranium part.

Mr. Haggerty: That's right. So there remains a need for major improvement, particularly in the uranium mines in Ontario.

Hon. Mr. Elgie: We have several problems. The first one I mentioned is that the federal government gives us authority to have some more mandatory control over the thing. I have to tell you that without it, Peter McCrodan is pretty well accomplishing pretty well all that I can envisage can be done with mandatory legislation, but there is more to be done and I think if we can get their co-operation we will have a better—

Mr. Haggerty: I suppose if it's not satisfactory for employees to be working there the minister can close the mine down until something is done, couldn't you? I think you have that power.

Hon. Mr. Elgie: I don't know if I have that authority in a mine that's under the federal government.

Mr. Haggerty: The chairman is shaking his head and saying no.

Mr. McCrodan: We don't have that authority yet, unless Bill C-14 is promulgated.

Mr. Bounsall: Mr. Chairman, I might just start my remarks by saying I would like to welcome the minister into the Labour ministry and the minister in charge of health and safety, as spokesman for our party in this area which is a very vastly expanding one. It's a major new area of endeavour in the province and we have a new minister in charge of it with an opportunity to grow in the ministry at the same time that this very important division is taking off. Normally it's very useful to have continuity in the Labour minister from one estimate year to the other, and certainly we would very much appreciate you being here a year from now in this same position.

Hon. Mr. Elgie: Let's all work to arrange it then.

Mr. Bounsall: I could think of some changes that could be better.

Mr. Mackenzie: We want a new score card then.

Hon. Mr. Elgie: I'm keeping score on you too, Robert.

Mr. Bounsall: Bargaining we don't have an election between now and then—

Hon. Mr. Elgie: Like realistic complaints and hopeful complaints.

Mr. Bounsall: —it would be welcome to have you here. In this field you are particu-

larly welcome to the position in terms of experience over the past couple of years with your predecessor.

Hon. Mr. Elgie: Why don't I invite her to come and she can respond to it?

Mr. Bounsall: We've heard her responses, Mr. Minister, and that's the type of thing which causes me to welcome you into this position.

Mr. J. A. Taylor: She speaks very highly of you.

Hon. Mr. Elgie: She thinks your wife is wonderful, too.

Mr. Bounsall: I won't make any comment on that, Mr. Minister.

In our caucus, we were bitterly disappointed in the fall of 1976 when Bill 139 came in, as a response to all of the examples which had been brought up over the years on the occupational health hazards in the work place and as a result of the Ham commission report, that we had in Bill 139 such a small bill. Throughout the debate on that bill, as we placed amendments and worked our way through it, we were told by the then Labour minister Bette Stephenson: "Just don't worry about it. This is just a bill which puts in place the right to work and allows me to appoint health and safety committees in the work place at our discretion. The big omnibus bill will be coming, which will cover all of your concerns."

So we were deflated that Bill 139 was so short, but it did put into place at least a right to refuse which was workable and has been exercised since then. We were disappointed that they couldn't have pulled together the omnibus bill in time for that date, but partially convinced, we waited. Then in 1977 we got the omnibus bill and it really, in most areas, was not that much of an improvement on Bill 139. Sure it was a longer bill, sure it was omnibus, but in the key areas of great concern in this province it really was a major disappointment.

That is why in January of this year out in committee there were so many major changes made to that bill, because they needed to be made. The record of your predecessor in appointing health and safety committees across the province, which was her right under Bill 139, was appalling. I don't believe there was one. If there was, it was only one. She didn't exercise her right in Bill 139 to so do, giving the reason that she wanted to keep very close tabs on and close track of each and every committee which she so established.

At that point in Bill 139, and thereafter in the estimates discussion which followed,

she wanted to be clearly in control of environmental health and safety committee that was formed. That was why last January, and I can quote from your explanatory material: "in order to achieve openness, worker participation and internal responsibility"—which your brand seems to be wanting to achieve and promote to report in those terms—you made health and safety committees mandatory in that bill. At that time the minister was extremely upset that that amendment came in.

We would hope this minister does not have that same attitude and would hope the minister does, in fact, approve of mandatory safety committees in this province so that all work places are virtually covered by mandatory committees, and not take what was obviously the attitude of the previous minister to fight that particular provision where she wanted the authority to appoint them all, with a terrible record of appointments meaning there would not be committees of health and safety reps established across the province to any large-scale degree. We would get them only in the three traditional areas: industrial, construction and mining, and the like. I suspect mainly only in the organized positions thereof.

I would hope this minister does not take that attitude and will, in fact, stand four square behind what is obviously the worker participation role in the whole health and safety program, because who knows more about the hazards in the work place and the unhealthy conditions, when they are able to experience some training and advice or what to look for, than the worker himself or herself?

[9:00]

The attitude of the previous minister was a major disappointment. We hope your attitude is the reverse of that and is one of encouraging and not fighting the establishment of committees right across this province in every work place, even in work places of less than 20 employees, and seeing that the workers do become actively and intimately involved.

I still remember—Mr. O'Neil was on that committee, and he'll remember as well—the way in which the coverage clause in Bill 70 was developed, where it was proposed that we cover every work place in the province.

I'm not giving an untrue picture when I say that the minister was appalled at that and said to us: "Do you really mean to cover nurses and hospital workers by that coverage? Do you realize the problems we're going to have in writing regulations for that? Do you really mean to cover police and fire-

men?" The answer from the majority of the members of the committee was an emphatic "yes."

She said throughout that initial dialogue, when asked, that it might take three months. As you may recall, the amendment put a time on it of three months.

She then indicated that it might take six months for agricultural workers to sit down and work out those regulations. So we put in six months as a rider to the amendment.

She then objected to that; she could see instances where, although it was the ministry's intention over perhaps the next year or two to develop regulations by which all workers would be covered in their own particular way, where they needed some different types of coverage, and although there were talks going on to that effect, it might take a little longer. We asked the minister, "How long?" She said it might take until the end of the year. That was the time at which, the dialogue having gone on for some time, the committee broke up.

The next day the amendment came back in, supported by both opposition parties, that all work places be covered and all those workers be exempted. That required special regulations but that exemption ran out by the end of this year, which was exactly what he had finally said the night before; and again the objections took place to that.

Regarding the coverage point and how long it would take to develop the dialogue and resolve the regulations with all those groups of workers mentioned throughout the debate on that bill, we have had three times given to us as to when that could be achieved, and we picked and chose. What finally emerged at the end of one full afternoon's discussion—it was placed as an amendment the next day until the end of this year—was to have any special and separate regulations that were needed and wanted to be written; and then the objections to that took place.

I really think, Mr. Minister, there was not much of an intent or commitment on the part of that particular minister to seriously come to grips with and cover every work place in the province. I would certainly hope that the ministry, and yourself in particular, is putting its mind to that. You haven't got much time left, with respect to Bill 70, in which to bring it back in; and you have a commitment that every work place is to be covered. We've certainly given enough time between the end of the third week in January, I believe it was, and the end of this year—almost a full year—in which to have written any particular kinds of differences in the minutiae of the regulations that would

apply to agricultural workers, firemen, policemen, hospital workers or anyone else who requires something special.

We certainly hope that you take a different tack from that of your predecessor, one of wanting to get those workers covered, of wanting to see worker participation take place in the work place, and of wanting to see all the workers in Ontario covered by this health and safety legislation, which really was long overdue in this province.

The previous minister said, when we initially got into that section of the bill, we intend to cover all the workers in this province as we work out the regulations over a one- or two-year period. In view of the number of health and safety committees she had by that time to appoint across Ontario over a year, we didn't really have much faith that, on her own, without it being a legislative requirement, she would develop those regulations and include those workers in all of the other work places.

I would be very interested in the minister's comments tonight. I keep in touch somewhat with the workers in those areas which have from time to time been proposed to be excluded—last May, the Liberal Party said in a press release that it was willing to give up on the firemen and the policemen—as to how much activity has been going on with them in terms of the development of the particular regulations. I would be very interested in hearing the minister's reply as to what stage he feels that has progressed in talking to those workers, and the differences, if any, they need in regulations for their coverage.

There was another attitude which I don't think ever was stated in as flat a term as I'm going to indicate. When you sat through those two or three weeks of meetings, a certain vibe came through, particularly as it related to various public servants and especially in the correctional service field with respect to the problems which turned up there in a couple of our correctional services institutions across Ontario. You had the infectious hepatitis incident at Walkerton Jail and the tubercular incident at Fort Frances.

The minister's response to that at the time, and the very strong feeling from that minister, was that she didn't really want any of the public servants in the province of Ontario included in coverage. Her objections often related to various specific groups from that area and her concern about how on earth you could include and cover nurses and hospital staff in our psychiatric institutions run by the province. We could not see

the difference between those workers and any other workers in the need for coverage under this act. As I say, it was not ever stated openly, but there was a real vibe being picked up from that minister, that one of the areas she didn't want covered—one of the large worker areas—was the whole public service sector, thus indicating that there was resistance by the government as an employer to having health and safety committees established for its own employees.

It's that kind of attitude which we hope this minister does not take and does not have. You should be in the forefront of seeing that joint health and safety committees get established right across the public service. You have the tools to do it now, of course, under Bill 139, which simply indicates that you will establish a health and safety committee. How many of those committees have been established with public servants across Ontario? None was established by the previous minister, I don't think. It shouldn't be a matter of negotiation. It shouldn't be required to be a matter of negotiation. Since you've become minister, have you encouraged or formed any health and safety committees among any groups of public servants across the province? If not, you should have done so, unless you had anticipated that this bill would come back to us sooner than it has and that it would be in place as a matter of course.

We were concerned too at that time, Mr. Minister, and again couldn't quite see the opposition to it, about the writing right into the bill of your method of setting standards for new toxic substances. Dr. May at that time was able to give to the committee a proposed internal document—it was already prepared—for the time scales and the degree of public participation involved in the setting of those standards. He outlined what he and the ministry hoped to achieve in terms of setting a standard, the advertising of it, the receiving of comments and the public meetings to be held thereafter.

Having that carefully worked out schedule, there has been a refusal on the part of the ministry to see that that schedule was written into the act so that all across Ontario one would know in the area of toxic substances how one would set and arrive at a standard.

We heard from the head of the mine safety branch that even in a mine that has less than 20 workers, they are working on the establishment of a safety representative—at least for that one 15-person mine—who is included when they make tours. If that's what's happening out in the mining field,

why would the ministry fight so hard and be so appalled at an amendment which would require a health and safety representative for work places of less than 20 workers? It's a committee for work places where there are 20 or more workers. When the ministry is doing it in the mine field already we hear tonight, why would it be opposed to a health and safety representative as a matter of law for those work places where there are less than 20 workers?

Maybe the experience of the ministry between then and now would make that amendment more acceptable and perhaps, when you bring back Bill 70—again a commitment has been made by yourself to do it this fall—we will see that as one of your amendments. Or, if that amendment is placed, we would hope, judging by the experience you have had within your own ministry in encouraging a health and safety representative where there are fewer than 20 employees, that you would not be opposed to that kind of an amendment.

We would hope that over the intervening months since January this minister would have a different attitude from that of the previous one and that the ministry might have a different attitude on the right-to-refuse clause, which adds that extra step over and above what appears in Bill 139. The extension over Bill 139 was one of a very clear step of the supervisor having an opportunity to persuade the worker to return to work when he reported that his location or the machine was unsafe and so on, without any right at that time of the worker having either his health and safety representative, a member of the health and safety committee or his union representative there. Our concern over that point exists as strongly now as it did then.

The non-union worker, the probationary worker in a union shop or the contract employee for the government at that point is going to be intimidated and, having to deal on a one-to-one basis, without a right to have the worker safety expert with him, he is going to be quite leery of pushing that point and saying, "No, I don't think it's safe," and then taking the next appropriate steps. That's going to happen all across Ontario—perhaps not in too great numbers, but one time is too many where a worker is intimidated because they have to do that by themselves. It's the non-union, the probationary and the contract workers who are going to feel the real pressure in terms of refusing at that point, because they know their jobs are at stake. That step should be removed completely from the act.

[15] Again, I don't know why you fight so hard to retain that section of Bill 70 that allows management to ask another worker to work at the site at which there has been a refusal to work. We managed as a committee to improve the bill somewhat last January in that the worker has to be at least informed of that refusal to work. That really is not enough, because who's going to be asked again? If there's been a work refusal exercised and another worker is asked to go in and do that particular job, who's going to be asked? The probationary worker? The contract worker in the government sector? They are going to really feel the pressure. It means their job, either right at that point or not too far distant down the road, for them to refuse to do that work where there has been a refusal. That section of the act should be removed.

Needless to say, we think it's a disgrace that Bill 70 has not come back before us, taking a very charitable view of the delay that we have seen, one could view it as being simply that the ministry didn't want to exempt the other workers who are outside of three traditional areas by regulation and then have them brought back in after December 31. When you brought Bill 70 back in you wanted to produce the entire set of regulations which provided those small differences in coverage for those groups of workers that were under debate. That's the charitable view. We hope that that is exactly what has taken place. We'll be bitterly disappointed in this bill and it will be a bitter fight if it's anything other than that situation when that bill comes back before us.

The dismay around the province from all those groups of workers hoping to receive the expanded coverage and those who are already in the industrial and construction and mining field if that bill isn't brought forward will completely wipe out any of your other efforts in the area that have taken place in the last year and a half. It really doesn't matter that you've increased your staff in many areas. It won't really matter that your laboratory facilities have been expanded to include a lot more testing. It won't really matter that standards are being worked on.

This bill is the symbol for your intentions in the health and safety field and your whole attitude in the health and safety field. It doesn't really matter that some other things are taking place in other areas, that there are training courses established across this province at various community colleges and workers are being trained through grants to the Ontario Federation of Labour, if this bill

is ignored and not allowed to be brought forward.

Moving on to some more of the details that I wanted to mention in my opening remarks here, I want to talk for a while about the toxic substances in general. The ministry still has not established a very clear goal in this area. If it has, I've not seen it. In the setting of standards and the application of standards out there in the work place, what is your goal? What is your intent? Is it to cover all of the workers all of the time against hazards, or all of the workers some of the time, in the standards you are developing, or some of the workers most of the time?

Just what are you aiming at? As you develop and put forward these standards, just what are you achieving by them? The proposed vinyl chloride standard is five parts per million, and the US has one part per million. What were you deciding in that area? It seems very much as though you are not going to cover all of the workers all of the time with that kind of standard which is so much higher than that of the States. Just what is your goal?

Are you saying that workers, with that sort of a standard, can take that for a certain length of time and we hope that they don't get exposed to that level too often and it is just tough luck if some of them do? We have set a standard which covers most of the workers, but not a standard which covers all of the workers. Just what is the ministry goal in protection of workers in the work place, with the type of standards you are setting, irrespective, if you like, of the level of that standard? That goal has never really been enunciated.

The Occupational Safety and Health Administration at least has the goal written down that it achieves a work place free from exposure of workers to toxic substances. That is their goal. They state it. What is the goal in this ministry with respect to workers and their exposure? To what degree will you tolerate some exposure, if any? If you say that your goal is to cover all of the workers all of the time, what about these standards which are being proposed which are higher than their comparable US standards?

I think the same can be said, and maybe they're not so much higher than the US, but the standards being proposed for asbestos and lead are still too high. I believe our standard is two fibres per cubic centimetre on asbestos. What I hear is being considered—I don't know at quite what stage of promulgation it's at—in the States is that the asbestos be half a fibre per cubic centimetre

I believe, it may even be lower, and yet we're sticking with two. Again, it seems to me that we're not doing much more than protecting some of the workers some of the time with that sort of standard.

Getting on to a topic we've touched on briefly before, this toxic substance survey which you have out there and which you're getting some information back on, you say there's been some response to it. In your explanatory material you talk about that program having been changed somewhat in the direction of simply increasing employers' awareness, an awareness of hazardous substances, hazardous chemicals and agents that are being brought in or generated in the work place.

I assume from what you said previously tonight that you're still collecting data on what substances are out there. I'm interested in how you go about it and how it's being organized. Is it just a survey you hand out when you go into the work places in the province of Ontario in which the emphasis seems to be to increase employers' awareness of hazardous chemicals and toxic substances? Are you sitting down with them and making a thorough survey of what might be in their particular plant and talking to them about what chemicals you know to be toxic? Are you providing them with a whole and complete list of toxic substances and hazardous substances before you go?

How are you increasing employers' awareness? Just how is that whole program of the collection of the material being organized and what are you saying to the employers? It's a bit of an admission—and it is not one that I am surprised at—that employers do not know in detail the list of hazardous substances which do exist, or what may be a problem in their work place. I am quite interested in just what explicit kind of action is taking place in this area.

Another area which I am interested in under the field of occupational health is where you talk about biological monitoring under your occupational health explanatory notes. You talk about the chest X-rays and respiratory tests which workers are receiving across the province of Ontario. You talk about the pulmonary function tests for silica exposure that are being done on workers in the province of Ontario.

Are the results of each and every one of these tests, irrespective of what they are and what they are for, automatically passed on to the worker as a right, or does the worker have to request them from the management of the company or through the health services that are in the plant or with which the

plant is associated? Once requested, do they have a right to receive that as a right? How do they know that they are getting the actual result of the test if it comes through the management and if it comes through the health office of the company with which they are associated?

Last weekend, I ran into a particular person who flagged me down and told me carbon monoxide blood sample tests were taken of workers in his plant and they did receive copies through the personnel office of the company. I'm sorry I do not have the details to present here tonight. I have been doing some work on it in the interim and I may have them shortly. When those results were handed to the workers by the personnel office, in virtually each and every case the carbon monoxide blood level results were within the acceptable standards, but in each and every case the personnel officer was saying sotto voce: "You'd better go to your own doctor and have him verify these tests."

The report initially made to me was that when three of those workers had them verified the carbon monoxide blood level results were considerably higher in tests arranged by their own family doctors than what had been handed to them by the company. I haven't got those actual results in hand yet.

Is it a right of workers to receive results directly from the medical personnel to whom they are sent in all areas of biological monitoring, chest X-rays, silica testing and others? I suspect they don't really have that right. The implication in this particular plant is that an intermediary becomes involved and they are given reports different from what they know to be the case. When we get the answer to that, perhaps there may need to be more discussion on it and I won't go further on it now.

[9:30]

I would like to touch on two other major topics before I hear from the minister. One is in the Ontario Gazette of July 22, "Notice of intent to regulate lead, asbestos and silica in occupational health hazards," in which you indicate that comments on these proposed regulations should be submitted within 60 days to Dr. May.

I have seen two responses that were prepared as a result of that July 22 gazetting. I must say I was quite impressed with the Canadian Environmental Law Association reply—I won't go through it in detail here tonight, or at this point at least—in which they raise some very serious criticisms of the way it appears to be being done and how they would see it improved.

I am not so sure I understand one of their major points, but they talk about having a volume control method of exposure to toxic substances. They point out that, unless one uses volume control, one doesn't know, by the methods proposed, whether a worker is having some exposure that is building up over the years simply because he happens to have an exposure at a given time which is less than a given standard. And they go on and talk about other sections.

The other one which I have seen is from Texasgulf, which says that, if 0.1 milligrams per cubic metre is adopted as the silica standard in Ontario, it would cost them \$18.2 million to adequately ventilate their Kidd Creek mines and plants, plus another \$2 million in operating costs each year to meet that desired standard.

I don't know if their figures, which are given in some detail, are going to be tested or queried by the ministry to see whether that \$18 million is real, but the point I would like to make in respect to the Texasgulf response is, what will the ministry response be when they get a letter, saying, "It is going to cost us this much money to meet that particular proposed standard"?

What is the ministry going to say? Will they look at that figure and say, "My God, that is far too much money for any company to be required to spend under one of our regulations; therefore, we will have to ease up on it"? Is this the way the final standard is going to be set, by paying attention to the kind of dollar response that comes in from the companies which make this kind of survey? Just how will it be done? And what weight, if any, are you going to put on these comments which come in?

If I were out in industry and I didn't particularly want to do it for whatever reason, but mainly because I have never been that concerned about it or don't really want to spend any money on health and safety, I would respond in the way that Texasgulf has; I'd dig up a set of figures showing, or making the implication in my brief, that it would be too expensive to implement it.

Is that the way in which the ministry is going to arrive at the decisions on what the final standard should be? Will the ministry read briefs that say: "It is going to do much to meet that particular standard"? I would be interested in hearing the answer to that question.

The other point, with respect to the gazetting which you have done and the collation of the comments which have come in, is one which we made yesterday with respect to

another area—the responses to the Kelly commission report. Will the responses to comments requested by the ministry, particularly in this area, be tabled or submitted to the research caucuses in the opposition?

Hon. Mr. Elgie: Before you go any further, I think you should read the whole record. I said they would be compiled and collected and put in the open public library of our ministry, available to anyone. Just read the whole area.

Mr. Bounsall: That was with respect to the Kelly commission?

Hon. Mr. Elgie: Yes.

Mr. Bounsall: All right. Since the 60 days have now gone by, has the same thing been done or will it be done with respect to all the briefs which have been submitted in response to that published regulation? Or are you still hoping to get more in?

Hon. Mr. Elgie: I haven't heard from all the people but I have heard from at least one group that wanted an extension in time and I granted that. Hugh knows very well about that. Some group needed some time to gather more information.

Mr. Bounsall: Have you only got a few briefs in on this?

Hon. Mr. Elgie: I would have to ask Dr. May that.

Mr. Bounsall: Perhaps we could deal with what I have said already. I have one other major area I would like to mention before I leave my remarks.

Hon. Mr. Elgie: I hope you will understand if I haven't yet been able to complete my future shock at gathering a good grasp of all areas of the ministry, but I am endeavouring to come to a good understanding of them all. If there are areas in which I cannot respond in a very meaningful way, I'm sure you will understand if I ask one of my colleagues to elaborate.

We might start off in the area you started from; that is, with regard to Bill 70 and my predecessor's comments about the bill. I think one must have a certain degree of fairness. I have read her remarks from last year and I have talked to her, and I know that in the estimates last year she made what I thought was a pretty meaningful commitment in the area of health and safety; there would be a comprehensive bill to protect the health and safety of workers in the province, and the bill would be, as I recall her words, an exemplary bill. So I don't take it from that—

Mr. Bounsall: You haven't read her comments.

Hon. Mr. Elgie: Yes, I have.

Mr. Bounsall: Those were not transcribed at the time.

Hon. Mr. Elgie: Yes, they are. There has been a transcript—

Mr. Bounsall: There has been a transcription made of those comments?

Hon. Mr. Elgie: Right from the transcript.

Mr. Bounsall: Could I have a copy of that transcript?

Hon. Mr. Elgie: If I have one around—

Mr. Bounsall: Heretofore I have always had to listen to them on the tape.

Hon. Mr. Elgie: I'm talking about Hansard.

Mr. Bounsall: There was no Hansard.

Hon. Mr. Elgie: Of these estimates.

Mr. Bounsall: Oh, you're talking about the estimates—

Hon. Mr. Elgie: Last year's estimates.

Mr. Bounsall:—rather than the debate in the committee stage on Bill 70?

Hon. Mr. Elgie: It was pretty clear that she had—

Mr. Bounsall: Following that, we had a committee debate on Bill 70.

Hon. Mr. Elgie: I'm talking about the estimates here last year, where she expressed—

Mr. Bounsall: That wasn't what I was talking about in her field.

Hon. Mr. Elgie: You made some comments that she didn't have a commitment to health and safety of the type you like. I just hope you will read that record and agree that she did express a pretty firm commitment to legislation that she hoped to be exemplary. Now, whether it was what you interpreted it to be, I know she intended in an incremental way that it would be a bill that allowed her to provide legislation which would be exemplary and which would offer health and safety regulations that would be of graded standard.

Mr. Bounsall: We as a committee were worried that the incremental way she would cover all workers would be at the same speed she established health and safety committees in other areas in the province.

Mr. J. A. Taylor: Not as a committee.

Mr. Bounsall: As a majority of the committee we were concerned—

Mr. J. A. Taylor: Don't use that royal "we."

Mr. Bounsall:—a majority of the committee; including some of your colleagues on that committee who voted for the coverage.

Hon. Mr. Elgie: I really don't want to go into that. I think there were a total of 1 or 15 requests, including one from Kingston Public Utilities Commission and a variety of others. I have no idea what went into her decision to appoint some and not to appoint others. With regard to Inco, I know that I wanted them to negotiate their own committees, and I'm told that was accomplished more than satisfactorily. But I don't really want to get into that. I think that to question her long-range hopes for health and safety in the legislation wouldn't be quite fair unless you really analyse what she said and what her intentions were; and I have talked to her about them. Anyway, that is really by the by.

You have also asked what my intention are about Bill 70. You know that in the Legislature last week the Premier indicated very clearly, and I quote: "I expect we will see it before Christmas." You know that from day one I have indicated that I considered occupational health and safety to be the first priority that I had to deal with.

Mr. Haggerty: Good to 1980.

Hon. Mr. Elgie: No, we're not talking about the day you will be 10, Ray. Goodness gracious, you'll grow up before 1980.

Mr. Haggerty: We have heard those promises before by cabinet ministers. The year 1981 was mentioned.

Hon. Mr. Elgie: As long as we don't go to 1984 then we're all right.

Mr. J. A. Taylor: We are there already Mr. Minister.

Hon. Mr. Elgie: Are we? With those cameras, yes.

Mr. J. A. Taylor: We're Orwellian now.

Hon. Mr. Elgie: Anyway, I think we don't need to haggle about who is more concerned about the health and safety of workers in the province. I see occupational health and safety as one of the really challenging areas of preventive medicine. I said so in response to comments by your associate Mr. Mackenzie. And I said so during committee hearings this summer. I think it is one of the real areas where we have some real tangible hope of achieving some areas of prevention. We all share that goal. I don't need to elaborate on that in any great detail.

You made some comments about Bill 139 not applying to crown employees and so forth. I don't know Bill 139 in any great detail, but I am advised that it was never intended to apply to the crown—

Mr. Bounsall: Of course not, it was just—

Hon. Mr. Elgie: —so to say that the previous minister never extended it to the crown is really a bit of a non sequitur, since the minister didn't have the power to extend it to the crown.

Mr. Bounsall: If I can just make it clear, we were disappointed that Bill 139 was as small as it was and really only provided the right to refuse in a different form—in a clear way, for once, that meant something—as opposed to what had previously existed in the three separate acts relating to industrial, construction and mine safety. We were told just to wait in each of these areas, that the comprehensive bill, Bill 70, would do it. But Bill 70, in the form it was brought to the House and to the committee, again only covered those three areas. It was as a result of the committee discussions on those bills that the very strong feeling emerged that one of the areas which the minister objected to in the coverage was the area of public servants and crown employees in the province of Ontario. It was more her attitude, the way in which she reacted to the whole discussions as we went along.

Hon. Mr. Elgie: Anyway, the point I'm trying to make—and I hope you accept it in the way that I intend it—is that if you read what she said, and if you have talked to her, you know that she shared the same goals that you did. I think to elaborate on that and bicker about it really doesn't accomplish anything for either of us.

Mr. Bounsall: More for the minister's purpose than mine, the estimates took place before the committee stage discussion and the insights that one acquires when one sits for some five or six hours a day in a small committee. Those discussions in that committee are not in any readable form, unless an official from the ministry has transcribed the tape of those proceedings. It is not in a written form; it's on tape only. This is the committee discussion.

Hon. Mr. Elgie: No, I know. I tried to get them.

Mr. Armstrong: No, the tapes haven't been transcribed; you are quite right.

Mr. Bounsall: It isn't a case of being able to read those comments; it's a case of having to listen to the tape—

Hon. Mr. Elgie: You have the advantage of that; I only have the advantage of reading last year's estimates. As one who has read those and who has talked to the minister, I would like to believe that she shared the same goal as you do, although her method of staging it in increments may not have met with your approval.

Mr. Bounsall: Nor the committee's.

Mr. Mackenzie: It's really past history, I suppose, but can I ask the minister why it was that on a number of occasions—and I sat through those committee hearings too, when we went into it—when we raised some objections or made some points, and again when we dealt with amendments in the House, we were told fairly clearly in three or four cases that I can remember: "Look, I don't know what you are squawking about; this is an interim bill, we'll be taking care of that" in what was then called the omnibus bill? We never got any of the things we were supposed to get in the omnibus bill, in effect. It was one hell of a disappointment, quite frankly. Was that because the previous minister didn't win the battles with her colleagues? That's what we really have to question.

[9:45]

Hon. Mr. Elgie: I wasn't privy to those discussions, but I am privy to discussions with her and I am privy to last year's estimates; and putting the two together I have to accept that she shared your views, although you may have disagreed on the steps that one had to take to get to the goal.

Mr. Bounsall: Unless the minister is in thorough agreement with the bill as amended by the committee, and hopefully will make some further positive amendments to that bill, it might be instructive for you to listen to the tape of the committee hearings Mr. Minister.

Hon. Mr. Elgie: I'm advised by the deputy that we'll find three weeks shortly where we can sit down and listen to it.

Mr. Bounsall: What else can you do with these long evenings?

Hon. Mr. Elgie: You also asked my views about health and safety committees as the bill set them down as it came out of committee. I haven't read all the Ham report, but I've read portions of it and I think the concept expressed by Dr. Ham, internal responsibility with the ministry's role being an educational one, through the various things that we've talked about, as well as an auditing one, is the way we have to go. In response to that I can only assure you the fact that we have made some lottery funds available to start the instruction programs at all levels, as well as through the resource centres we've established, is an honest commitment to the value of the concepts that Dr. Ham espoused in his report.

I must say when I did visit the Elliot Lake mines with Mr. McCrodan we did have

a health and safety rep with us. There were some concerns expressed that perhaps I may have missed certain areas that were vital to have been seen, and because of that suggestion, made to me by the health and safety reps, I made a particular point, at a meeting later on, to make very certain that each of the areas that was of concern to the workers was expressed to management and that there were responses; and I took an active part in it. I think the whole process of involving workers in their own health and safety is crucial to the whole program. I don't think there is any doubt about my commitment to the concepts of health and safety, both at the employer and employee level on a joint relationship concept.

Just in line with that, and in view of the Premier's (Mr. Davis) commitment, you've mentioned the time is short; I hope that with the co-operation of the opposition parties we will be able to get that bill into action before the session ends.

Mr. Bounsall: It will be a major fight if there are still areas of principle unresolved; the opposition parties cannot be blamed for any delays on that bill if we're required to make that fight.

Hon. Mr. Elgie: We'll have to deal with that when we get to it, but that's the sort of co-operation I'm hoping for.

Mr. Bounsall: It will depend upon the bill.

Hon. Mr. Elgie: It depends upon the co-operation too.

Mr. Bounsall: It depends upon the principles embodied in the bill.

Hon. Mr. Elgie: I don't want to go into all of the things that you've dealt with, because I'm sure they'll come up in the various items that we deal with under occupational health and safety. You did refer specifically to toxic substances and had some comments about the process we go through in designating substances; just for your own information I thought you might be interested in the process that we have decided upon.

Once Dr. May and his staff feel that a substance is one that we should designate, draft regulations are proposed. They then go to my advisory committee on occupational health and safety, which as you probably know is chaired by Dr. Fraser Mustard and which has equal representation from management and from labour.

They then have a period of about 30 days with a little task force they've set up within their own group to review them, make comments, criticisms; and that then comes back

to us. We revise the substances in terms of the levels that are going to be submitted and then they are gazetted.

As you mentioned, we gazetted some last summer. I believe there were some eight substances; asbestos, inorganic lead, silica, isocyanates, inorganic mercury, noise, vinyl fluoride monomer and some other general occupational health hazards.

Those were sent out and we are now receiving the input, and you've referred to two of the briefs. On the Canadian Environmental Law Association reply, in which you indicated there were some drawbacks outlined and some suggested improvements, I am, frankly, not in a position to comment on the remarks made by that group, but I am sure Dr. May will be able to. He will also be able to respond to you on how he assesses the reports as they are submitted in line with what the ultimate recommendation will be.

You made some reference to hazardous chemicals. For your own information you might be interested in the form that is sent out to the industry. It's quite a comprehensive one and I think you will probably realize why some industries might have a little difficulty in completing it without some assistance. If you wish to look at that you are free to do so. That will be pursued.

You made some comments about biological monitoring, chest X-rays, respiratory tests and pulmonary function tests, and asked if the results are passed on to the worker as a right. I am afraid I'll have to bow and ask some of my associates to make comments on that. I know from my own interest lately in the area of asbestos, in the past six years it has been not only mandatory that the report on the chest X-ray go to the company doctor and to the worker, but also to the worker's general practitioner, his own doctor.

So in that one area there is a passing on of the results of chest X-rays to the worker, and in case he is not aware of the significance of the report it is passed on to his family physician. I am not able to comment as to the other areas you've referred to but I hope Dr. May will have some comments.

Mr. Mackenzie: Did you say, Mr. Minister, that one of your officials would comment on whether it covers more than just asbestos? Is it just asbestos?

Hon. Mr. Elgie: You can ask Dr. May. Frankly, I just don't have that knowledge at my fingertips.

You referred to some problems with carbon monoxide in blood but indicated that you didn't have the actual data. There was a suggestion, on the basis of that incomplete

ta you did have however, that there may have been some attempt by plant physicians to mislead workers. I would hope that once you have the complete data you would let us know if that is a realistic complaint, because if it is then it is something that has to be looked at.

Mr. Bounsall: It appears so far to be just all up in getting the actual copies of both letters from all of the workers so involved.

Hon. Mr. Elgie: If you have some realistic data that indicates there has been some attempt to mislead, then by all means let's give it, because that is certainly something that concerns not only you, and I hope you accept that.

Mr. Bounsall: Yes, it should be quite a concern.

Hon. Mr. Elgie: Yes, it would be.

Mr. Bounsall: The question is, in all of these tests, do the results flow directly to those workers as a right?

Hon. Mr. Elgie: Dr. May can elaborate on that.

Dr. May: Dr. Robinson says as far as he knows there have been no tests carried out through our laboratory. If you could identify this group of workers and the occurrence, that's the only way we can follow up.

Mr. Bounsall: Those tests that are done in your laboratories that relate to programs of testing and so on, are they sent directly to the workers?

Dr. May: No, they haven't been so far.

Mr. Bounsall: We've heard that you send the X-rays to the worker, the plant and the worker's doctor. Why would you not do so in the other areas?

Mr. Mackenzie: Only in asbestos.

Dr. May: All I can say is it hasn't been practiced so far. It has been the practice to do it in terms of the asbestos workers, as a result of the number of findings and in relation to the Workmen's Compensation Board interest in this. One of the major problems was that the workers did in the past, I believe, complain that the results were being made available to everyone but themselves. It was some six years ago that the routine was changed and they were sent to the worker and to the worker's own physician; and in the case of any abnormalities being found on the X-ray the worker was advised to go and consult his own physician about this. Dr. Vingilis, who runs that program, is here and he can describe better exactly what does take place and has done for the 25 or so years.

Dr. Vingilis: Asbestos reports, particularly of Canadian Johns-Manville workers, are sent to all family physicians even if it's a negative report. With lung function tests, it's the same. For Canadian Johns-Manville Company we send all reports, even negatives. For the other companies, the plant doctor gets a complete report; the family doctor receives reports only if there is any significant matter that needs attention. If there is any acute test—for instance, pneumonia, pneumothorax, suspected cancer—we phone the family doctor, we do not trust the mails, and then send the report.

With lung function tests we used to send the same reports. The lung function could be normal, slightly impaired, moderately severely impaired and severely impaired. Generally, family doctors are well exposed to X-ray reports and they can easily interpret what is important and what is not important. With pulmonary function tests there are no difficulties. When they are slightly obstructed it may be due to cigarette smoking, but when we see restrictive defects we refer them to a consultant right away.

This backfired on us when, about six months later, I received a phone call from one consultant who said: "Thanks for your reference. I am too busy and I cannot consult everyone." Family doctors refer too many for consultations that were unnecessary, and that was draining OHIP funds. We now restrict it to lung function tests that are moderately severe and severe. They need attention. Naturally, the plant doctor receives everything. The family doctor receives only what needs attention.

Mr. Bounsall: On that point, if I was a medical doctor who had been used to receiving all of your reports, and I send them out to my consultant so he can tell me exactly how severe that revelation is that you sent, I may not even notice that my volume has gone down slightly in terms of receiving only these mildly severe and severe. Do you send a covering communication which says in very clear terms this looks to be a mildly severe or severe case?

Dr. Vingilis: We give comparative numbers, the percentage and our interpretation.

Mr. Bounsall: Interpretation is sent as to how severe?

Dr. Vingilis: For instance, vital capacity is 80 per cent. We may have one with 76, with interpretation slight obstruction. We give the numbers and interpretation, so the doctor knows right away what this means.

Mr. Bounsall: That's to the family doctor?

Dr. Vingilis: The family doctor and the plant doctor. If there is no plant doctor we send it to the MOH. Otherwise, carbon copy of all reports to go to the plant doctor.

Mr. Bounsall: It's only the case of the Johns-Manville asbestosis that it goes to the worker as well?

Dr. Vingilis: We used to inform the worker that his report would be sent to his family doctor. There is too much paper work now. When we send the reports we phone the Johns-Manville company doctor and he puts a notice on the bulletin board that a medical report has been sent from our branch and workers should consult their family doctors. So every worker knows that a report has been sent.

[10:00]

Mr. Bounsall: Mr. Minister and Dr. May, I don't see how we are going to achieve much in the area of workers' health and the treatment of health problems unless, in every area where a test is performed, the workers are given some direct result of that test.

For the sake of the workers or the other persons involved in the making of that report, I hope the information given to me on the carbon monoxide is not true, but I suspect there is truth to it. If the workers do not receive that information in every area, you are always going to have this sort of suspicion on the part of the workers. If the information about their health comes to them through the plant doctor, or by the plant doctor through personnel, there is always going to be some suspicion and hesitation that they are not receiving complete or accurate information on their own health which they have a right to receive.

I could say it a lot more strongly and wave my arms a bit more, but workers' health is their health; if it has been endangered by the work they are doing in the work place, enough to have some sort of a test run on them, surely it is their right to be informed directly as to the seriousness of the particular test they have undergone and what it has revealed.

Hon. Mr. Elgie: I couldn't agree with you more. We don't have a problem there. I think that is the way we have to go.

Mr. Bounsall: And we can't really accept that it's too much of a paperwork problem with which to deal. They have got to know.

Mr. Chairman: Are you all through, Mr. Bounsall?

Mr. Bounsall: There are other areas, I gather, that Dr. May was going to reply on.

I had one other area I wanted to investigate in some more detail; that is, the lost funds that have gone out and how they being expended. You gave the figure of \$1.5 million for the year 1977-78. You have expended more funds during the current year. Is it at the rate of \$1.5 million annually? And how much has been expended already in total, \$3.5 million or \$4 million?

Hon. Mr. Elgie: A total of \$4 million committed up until 1980: \$1 million in the first year, \$1.5 million in the second year and \$1.5 million is to be expended in 1980.

Mr. Bounsall: From those lottery funds?

Hon. Mr. Elgie: Yes.

Mr. Bounsall: Number one: In the area of training and education that is required, I think that is too small an amount.

Number two: You have run through a partial list of where these funds have gone and the projects they have gone into in the university and the college training field.

The amount of money that has been given to the Ontario Federation of Labour, \$330,000, I think it is—is rather a small proportion of the total, and the money they are putting into that educational work is, I think, the only money being directly expended that is going to be in contact with the workers in the work place in a fairly direct form.

The other ways of expending the money although necessary in terms of the long-range goals of training people who we are going to have to be turning out in this province, are an acceptable start but they are far removed from the worker in the work place.

The course that was set up by the Ontario Federation of Labour, after the considerable initial costs of curriculum development, is enough in this year to train 22 instructors, each one of those going back out into the particular work place and giving courses to people who will become safety reps. That is the way it's getting right down into the work place.

Hon. Mr. Elgie: "Go forth and multiply," is the phrase.

Mr. Bounsall: But I want to point out how minuscule that is. Quite apart from the number of locals that are in the province of Ontario—some 20,000—22 instructors to train health and safety reps in the work place is a drop in the bucket. There are 50 labour councils alone across the province of Ontario, for which you only have 22 instructors trained by the time the money is expended.

Should they get the same amount of money, they won't have the startup costs which they had this year so that more instructors could be trained, but I gather that amount of money is not allowing them to pay in full the lost time of those instructors in the classroom, but only a portion of it. So the unions or the federation, or some combination, is picking up some additional funds even in this year to train those instructors.

We have 22 for 50 labour councils and some 20,000 locals. They immediately investigated the possibility of more funds; the answer they have received is that no more lottery funds are available, certainly not for the next few months. It seems to me that, because of the potential they have of getting expertise right down to the work place level, this is one of the more effective programs that should be funded exceedingly more than it is and every help should be given to that organization in producing as many instructors as is possible, with the spin-off training of the reps. Certainly they are willing, as the time of those instructors becomes available, for those instructors to go out and make their expertise available to other workers in the work place other than just their own local or just the organized portion thereof.

It seems to me that in this one area, which has direct application to the work place, we're not expending enough. With this direct line that they have, they shouldn't be in a situation at this point of not being able to run any further classes because they simply haven't got any more funds and because at the moment there are no more funds available to them from the lottery program.

Just what is the ongoing program of funding expenditure for that very worthwhile endeavour, and are there not more funds available right now from lottery sources so they could continue between now and March 31 to have classes for instructors, which allow that direct application in the work place?

Hon. Mr. Elgie: Dr. May, could you respond to that?

Dr. May: Yes, there is \$1.5 million available in this current year, and \$1.4 million has already been expended out of this year's allocation or available lottery funds. We have not yet had a second application from the OFL, although they have said that they are going to make one for next year. Currently, they have used these funds and shortly will be completing the first training period for those trainers.

They anticipate that those trained personnel will go out across the province and will run a three- to four-month training program locally in those areas which have been designated.

Mr. Bounsall: But you only have 22 of them, eh?

Dr. May: That's right.

Mr. Bounsall: It doesn't really scratch the surface there. And, if they had the funds, they could be training more instructors before the end of this fiscal year. Are you saying you do have funds available?

Dr. May: We have some funds uncommitted so far out of the \$100,000 left from this year's allocation; but we haven't had a further application from the OFL as yet.

Hon. Mr. Elgie: But they have indicated they'll be applying next year?

Dr. May: That's right.

Mr. Bounsall: If \$100,000 will allow them to train some more instructors between now and the end of March in the training program they've set up. I would urge it be expended in that way because of its direct application in the work place and the need to have more than 22 instructors. Their estimate at the moment is that, with 20,000 locals to cover, let alone all those work places out there which are not organized, they would need 300 to 350 instructors. They're a long way away from getting the instructors to train the safety reps—a long way away from adequately meeting that need. Any funds that would allow them to make use of it to continue their program between now and the end of March, and subsequent to that would be well spent.

Hon. Mr. Elgie: In all fairness, we have responded to applications. There was one application which, frankly, I am advised, just wasn't well prepared and well planned. But no one has said here that we won't make any effort to try to respond to applications for funds. I wouldn't want you to be under that misapprehension.

Mr. Bounsall: Before we leave the point, are you saying in this regard that you still have unexpended funds? Do you think this is a good program? I certainly am impressed by the way it's getting into the work place.

Hon. Mr. Elgie: I'll know a little better next week after I've personally seen what the curriculum was and I've talked to some of the men. My information to date is that it was a well-planned program, with a good curriculum, and was approved by the awards committee as a very valuable contribution. I can't help but think it was worthwhile.

Mr. Bounsall also asked if we would list the funds that have been expended to date, Dr. May.

Dr. May: We don't have the amounts for the individual awards, but to date we have spent the whole of the 1977-78 funds available; that is, \$1 million. To date this year we have allocated \$1.4 million.

Hon. Mr. Elgie: And do you have a review of the areas that the projects have gone into? I think you do.

Mr. Bounsall: Rather than take the time of the estimates, if you want to circulate that to me or to members of the committee, that would be acceptable to me.

Hon. Mr. Elgie: We would be glad to photocopy that and hand it out.

Dr. May: I can give you this in detail, but in summary there were four occupational health and safety resource centres at \$100,000 each; an undergraduate and post-graduate occupational health and safety course, a joint one between the University of Toronto and McMaster, \$982,000; an occupational health nursing program at Mohawk and Humber, respectively, \$38,500 and \$50,000; the Ontario Federation of Labour grant for training trainees, \$330,000; industrial hygiene at Lambton, \$12,000; noise and dust control at Cambrian, \$19,200.

There were 27 awards to individuals and 11 applied research awards relating to noise, coke-oven workers, radon dotter emission, toxic vapours, nickel workers, asbestos, chemicals in the construction industry, cancer of the lung, carcinogenic chemicals, radionuclide contamination.

Hon. Mr. Elgie: Who is funding the hydrocarbon study at Laurentian? Does that not come out of the lottery fund?

Dr. May: No, it doesn't.

Mr. Chairman: Do you have any further questions, Mr. Bounsall?

Mr. Bounsall: Just one. I'm not clear that you are going to place in the library, or somehow make public, the responses to the July 22 gazetting on other standards.

[10:15]

Dr. May: If we can talk about the process which was established, these regulations were gazetted and it was made clear that we hoped those who were interested and had concerns over these specific ones gazetted would respond within a period of 60 days. We were somewhat overly optimistic that this would be done. We have had very few responses so far, by comparison with those we expected. What we have also had is a large number of requests for

an extension of that 60-day deadline, both from management and from labour, in order for them to formulate a response and make some criticisms and comments.

Mr. Bounsall: It may have been July although we want these things gazetted and moved along as quickly as we can. July was perhaps an unfortunate time of year for replies having to be in by September 22.

Hon. Mr. Elgie: Yes, I think that was a good lesson to learn. We mustn't gaze at them then.

Mr. Bounsall: That's part of it. May there are two months of the year when you may have to ignore in terms of gazetting regulations with respect to responses which you get back. My question is, when you do get what you consider to be a response to your gazetting, will those responses be made available to the public placed somewhere so they can—

Dr. May: There is no reason why they shouldn't be. We hadn't intended to do that because this is only the first round of the process of developing a regulation. I would comment on a point you made about the regulations as they are gazetted. It is not necessarily intended that this should be the final form of that regulation.

Mr. Bounsall: I understand that.

Dr. May: We had to start somewhere, because regulations of this type have never been developed before in Ontario and there was no means of getting them out to the public for public comment, for comment from management and for comment from labour. It was decided to gazette these and develop a process for doing this, that is notification of intent to regulate certain specific substances, so that people could give some thought to what was likely to happen, then gazetting a sort of preliminary form of that and then allowing people to comment on that to give us some idea as to whether or not they felt all the items and all the concerns were covered in the formulation as we saw it at that time of the regulation.

Hon. Mr. Elgie: As Dr. May said, this is the first time this has happened in this province and frankly we just hadn't had the question put to us before. Without any suggestion that they shouldn't be made public, because as a basic rule I feel they should, I would have to look into it and make sure that in some of these submissions that there wasn't some information that the person submitting it might deem to be confidential in terms of the material there.

As long as there is nothing like that, then as a general philosophy I don't have any objections, but I would have to keep that on reservation in mind. There is some hesitation, I am told by people in industry, about the combinations of chemicals involved and so forth, and particularly trade secrets they are concerned about. If that isn't an issue with any of them, then I see no reason why they shouldn't be made public.

Mr. O'Neil: Following up on some of Mr. Bounsall's questions toward the end there, I just noticed, in the first part of this year, May 10, 1978, there was a news release put out by the Ministry of the Environment reporting the amount of \$856,000 for environmental health studies dealing with hazardous substances. Could you tell me what sort of relation, Dr. May, you have, with the Ministry of the Environment to sort of co-ordinate these studies and this information coming back to you; and what is done with it?

Dr. May: You say there was some money distributed by the Ministry of the Environment?

Mr. O'Neil: Right, in the amount of \$86,000.

Dr. May: From the allocation of lottery funds?

Mr. O'Neil: Right, for a study of hazardous substances.

Dr. May: Dr. Muller may have information on that. I don't think we have that in any detail.

Dr. Muller: I could not really say what studies the Ministry of the Environment financed out of the lottery funds. As far as our service is concerned, we are supplying in the Ministry of the Environment with criteria documents for hazardous substances that are of importance, because these are substances that might be discharged into the environment, so we provide these criteria documents relating to the toxicity of these substances. We have no input into the disposal of lottery funds.

Ion. Mr. Elgie: There is a representative from the Ministry of the Environment on the awards committee. The big worry I would have, and I am sure you were talking about it, is an overlap.

Dr. Muller: Right.

Ion. Mr. Elgie: So to try to avoid that we do have someone from the Ministry of the Environment on our awards committee.

Mr. O'Neil: What I am wondering is, when you are spending close to \$1 million, whether there shouldn't be some sort of a

closer co-ordination between your ministry and the Ministry of the Environment to make sure that there is no duplication in these studies I just wondered how that was handled.

Dr. May: There are occasions when we get applications for lottery funding sent to us which, when they are given a preliminary review, are very obviously something which lies in the area of responsibility of the Ministry of Health or the Ministry of the Environment, both of whom have allocations of lottery funds. We have an observer on our committee, both from the Ministry of Health and the Ministry of the Environment, and in those cases those applications are turned over to whichever ministry would seem the most appropriate to deal with it.

They do the same with their lottery committees, both in Health and Environment. We have a representative on the Ministry of Health committee and also the Ministry of the Environment committee for just that purpose, to ensure that there is no duplication and no overlap and that the right people get the right project.

Mr. O'Neil: Then that information from these tests or these experiments would come back to you in the Ministry of Labour also?

Dr. May: It would come back from the Ministry of the Environment if they felt that there was something which related to occupational health; and in just the same way when the reports come in of our research projects which we funded, if there was something relevant to the Ministry of Health or the Ministry of the Environment it would go to them.

Mr. O'Neil: Concerning Bill 70, I notice in your 1978-79 initiatives in the summarization you mentioned design and implementation of a data system for accumulating and analysing occupational health and safety data. Can you tell me where we stand on that at this point?

Dr. May: Yes, this was discussed last year in the estimates debate, and if you recall what was decided then was that the one thing we were short of is information on what goes on in industry. So the primary concern was to develop, first of all, an inventory in terms of people, the places, the processes, the materials, the hazards and the health and safety experiences involved. Having got that established, the next phase was to develop the system which would tie in the existing information which we have currently in individual files in the various branches which now make up the occupational health and safety division.

A third phase would be the establishment of a system which would tie in with both of those on new information that was acquired, new experiences and so on. We have got to the stage now of having the preliminary designs for that, and I think at the last discussion it was anticipated that this would be operational in at least two of the phases by April next year, and its third phase probably by June. There are a lot of problems in the practical sense to be overcome to get the kind of information transferred into a form which is acceptable to the kind of system which we are going to develop. Alan Heath can probably tell us just how far the thing has got to date.

Mr. Heath: We have a study proceeding at this time which is designed to pull together the various data systems that we have within the ministry; a data system which gives us data from the industrial sector, one from the construction sector, the third from the mining sector. We have different computer files for these different sectors, and we have to develop a system that will enable those files to communicate, between the files, and to produce data that's useful for research.

A further step in the system is going to be to develop the crosswalks between those files and, for example, the WCB files and maybe federal census files and so on. A further development might be to tie into some data files that are available in the United States. At this point in time we are working through the details of how to make these files compatible. The objective is to develop a comprehensive data system without developing an expensive data bank system.

Mr. O'Neil: Who would you have set up a system like this? Who would be working on that system?

Dr. May: We have staff of the ministry working on this, and at the present time we have consultants working on the preliminary stages to give us some guidance on exactly how we should proceed with the next couple of stages.

Mr. O'Neil: For my own information, when you say you have consultants working on that, who would be the consultants on this?

Dr. May: The consultants working on this particular stage are DMR and Associates, systems and computer specialists.

Hon. Mr. Elgie: You might also be interested to know that negotiations now are going on with the federal government, which has an interest in establishing a Canadian Centre of Occupational Health

and Safety. All the information from various provinces would be fed into that central agency. That's still at the very early stage, but, as a long-range objective, I think that is the ideal one. We actually had started that already, and then the federal government got into it; so we're quite happy to co-operate with them on a larger project.

Mr. O'Neil: I notice also, at the bottom of page 55, you talk about the 1978 initiatives in hazard identification and programming; there is reference to a list of occupational health and safety hazards which lists a lot of them. Dealing with new products coming on the market, Dr. May, what sort of a system have you set up to be able to follow up on Bill 70? How do you feel you're going to be able to deal with the problems that you may encounter?

Dr. May: There are two things that we envisaged in this. One is that we saw this as one of the primary concerns of the Canadian centre, because the Canadian centre has access to total information right across Canada, something which we don't have could only get with considerable difficulty whereas the Canadian centre could get this much more easily.

The second thing is that in developing the data bank we wanted to do this, not much economically but as easily and quickly as possible, by taking advantage of existing systems elsewhere that we could plug into. We have some contacts with the National Institute for Occupational Safety and Health in the United States, and with several other systems such as that, which should short-circuit a lot of the hassles and difficulties involved in getting this put together in a useful and readily available form in the shortest possible time.

Mr. O'Neil: Where corrections may arise concerning a specific substance or a difference of opinion, are you set up to do the tests yourself? Or what would you do in a case like that?

Dr. May: We can do some, but we also have some direct contacts with other provinces which have the same problems. We've got a considerable amount of co-operation and co-ordination with Alberta, British Columbia, Saskatchewan and in some cases with Quebec over new substances, as well as with the federal government through the Department of National Health and Welfare.

Mr. O'Neil: At the bottom of page 5 you mention that joint health and safety committees are being surveyed to determine the nature of their operations and the

rements for training and support trials. I wonder if I can get you to end on that a little.

I. May: We do have that somewhere—not sure we have it here—but one of the trials which was done during the summer to survey existing health and safety committees. This was done by taking a random sample of 83 groups of less than 50 employees; 71 of those were unionized and 12 non-unionized. Out of those, we have completed questionnaires and investigations into those 58 health and safety committees which do exist. There are six more that have to be completed, we're waiting for information from them; and 19 of those had no joint health and safety committees. I don't have the details of those trials here but we can get them for you.

N. O'Neil: I have another question I want to raise. We have several companies in the province that have excellent safety records but may not have joint health and safety committees. Could I have your comments, or the minister's comments, on that?

I. May: Mr. McCrodan has some information on this, I believe. And Mr. Chairman may have some.

Mr. McCrodan: We spoke about this a little bit earlier. There is just one that does not have any health and safety committees, but it has a different arrangement. That is in Timmins. They have total committees; I mean, the total work force is involved in all the deliberations they have on health and safety matters. They have a completely open-door policy.

Hon. Mr. Elgie: How effective do you find that?

Mr. McCrodan: That is the most effective group of the works. It is the best in mining across Canada. Their frequency is the lowest. As I said before, they have taken the Ryan award three years for the best safety record in Canada in mining, pits, quarries, plants or what have you.

Mr. Chairman: Thank you very much, members of the committee. It is now 10:30. We have run out of time.

Mr. O'Neil: Mr. Chairman, I have some more questions, if I may continue—

Mr. Chairman: Yes, Mr. O'Neil; on Tuesday night at 8 o'clock.

The committee adjourned at 10:31 p.m.

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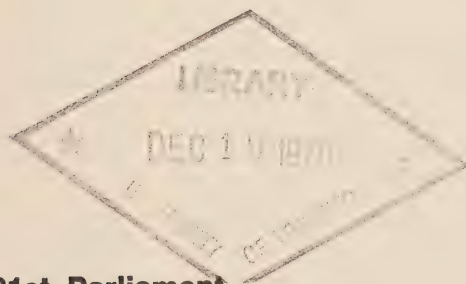
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Legislature of Ontario Debates

Official Report (Hansard)
Daily Edition

Resources Development Committee

Estimates, Ministry of Labour



Second Session, 31st Parliament

Tuesday, December 5, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, DECEMBER 5, 1978

The committee met at 8:08 p.m.

ESTIMATES, MINISTRY OF LABOUR (continued)

Mr. Chairman: I see a quorum. When we adjourned on last Thursday, we were on vote 2304, item 1 to 8, and at that time Mr. O'Neil had the floor. Mr. O'Neil would you like to start the proceedings tonight?

On vote 2304, occupational health and safety program:

Mr. O'Neil: If I recall we were on page 1 and there was a comment at the bottom of the page dealing with joint health and safety committees to indicate they "are being surveyed to determine the nature of their operations and their requirements for training and support materials."

I asked the ministry staff for a bit of material on that just to see how they were coming along with that.

Hon. Mr. Elgie: Dr. May, would you answer that?

Dr. May: Yes, we have a copy of that survey here. It is a 16-page survey questionnaire. There have been some refinements from the initial stages, but this will give you the information I think you require on what was done.

Mr. O'Neil: Also, I wanted to ask the minister about the amounts of money that have been allotted to this particular vote. Does he feel the amounts stated there are within reason? What does he feel about the funds required as far as what you're going to encounter in the coming year?

Hon. Mr. Elgie: I indicated last week that it's expected there will be some legislation regarding health and safety forthcoming. The additional programs involved in that will be looked upon as new initiatives and new funding, extra funding, will be sought for them.

Mr. O'Neil: Have you any estimate of what you're talking about in the way of dollars?

Hon. Mr. Elgie: I'm afraid that estimate will have to await assessment of the needs following passage of the bill. I can't give you a definite figure on that.

Mr. O'Neil: Have you not undertaken any studies at all? You've been expecting this Bill 70, we may possibly see it before Christmas; have you no idea at all as to what you're going to be talking about, as I say, in the dollar figure? Surely you must have some studies or have done some work on that.

Hon. Mr. Elgie: Dr. May, have you done any studies on the estimates?

Dr. May: We have some basic information on selected segments of what might well arise out of Bill 70, but the eventual mix is as yet undetermined.

Mr. O'Neil: Could I ask in what areas you've made estimates, or where you see the increase is going to be, or what you're talking about?

Dr. May: It ranges from about \$1.3 million to \$5.7 million, depending on what the mix of programs is going to be, the extent of coverage and a whole variety of variables.

Mr. O'Neil: There's quite a difference between the low and the high figure. Could you give us some idea why that spread would be there? When you say it's going to be over five or it's going to be one point something, what is that going to depend on?

Dr. May: This is going to depend on the extent of coverage.

Mr. O'Neil: In other words, what areas.

Dr. May: It's going to depend on the speed with which regulations are developed and when they're introduced.

Hon. Mr. Elgie: And it will depend, of course, on how quickly we can acquire staff. Staff in these particular areas is often hard to find. So it will be a matter of the cost involved and the additions of staff, as well as the item Dr. May has referred to.

Mr. O'Neil: It brings up another point too. You were mentioning how quickly the regulations are developed. How are the regulations coming? We were told when we were sitting in committee looking over Bill 70 that the minister at that time needed some time, approximately until the end of this year, to develop these regulations. Would you let us know where we stand on that?

Hon. Mr. Elgie: This summer, I believe it was in July, we gazetted certain regulations,

but I'll let Dr. May go over it. This included about seven or eight substances, and sound. What were the exact items we issued a gazette notice on this summer?

Dr. May: On asbestos, lead, silica, isocyanates, mercury, noise, binochloride and occupational health hazards generally. I think we discussed this last week.

We have had some briefs and a number of submissions as to amendments or changes which individual groups and technical personnel felt should be made. We've also had a number of requests that the time allowed wasn't adequate to go into the technological details which are involved in some of the regulations. We've sent out 500 requests for response to these particular regulations as they were gazetted. So far, we've had 115 briefs; and we've had sets of comments as opposed to briefs from individuals or small groups amounting to 242. We've also had a large number of requests for extensions of time of anything up to another 60 days, 45 days, 40 days and so on.

Hon. Mr. Elgie: It was pointed out last week that perhaps July isn't a good time to be gazetting these things, and I think that was a good suggestion. So we've been more or less out searching for responses in some cases.

Mr. O'Neil: Dealing with the Ontario Federation of Agriculture as far as Bill 70 is concerned, where does it stand? You've had quite a few meetings with them on Bill 70. Could the minister give us a little bit of background on that?

Hon. Mr. Elgie: I don't think that would be productive. The Premier (Mr. Davis) indicated, and I've indicated, that I have hopes the bill will be presented shortly to the Legislature and we can review—

Mr. O'Neil: At that time, eh?

Hon. Mr. Elgie: —the amendments, if there are any, then.

Mr. O'Neil: Fine, I have no further questions.

Mr. Chairman: All through, Mr. O'Neil? Thank you very much. Mr. Bounsall.

Mr. Bounsall: One major area I'd like to inquire about and some of it is a little historical, is the way one deals within the ministry with hazards which are pointed out to the ministry. In very general terms the Canadian Union of Public Employees met last April with officials of the ministry. In particular their senior research director, Larry Katz, met with Jim McNair and Bob Ogilvie and about eight others to discuss the importance of Bill 70 to CUPE and their

need for coverage. What emerged from that meeting, fairly early on, was a need for an inventory of actual safety standards needed and the hazards faced by CUPE members in the work place.

[8:15]

CUPE said they would do an inventory. It was their very strong impression at that time, in fact they said at the time they felt there was a real commitment by the ministry to also do an inventory on the hazards of hospitals, homes for the aged, and for municipal workers and so on. There was a subsequent meeting on June 27 to exchange information on that inventory. Jim McNair and Bob Ogilvie were not at that meeting, but again, eight to 10 representatives from the ministry were there. No information at all was presented by the ministry officials in terms of any inventory of health hazards, and they said they had given no commitment to do so.

I hardly would have thought there was a misunderstanding to that extent, but in an event CUPE had compiled rather a large inventory, work place by work place, employee group by employee group. They started with general hazards, that were common to all their workers in their union, and specifically had ones for hospital workers, homes for the aged, municipal workers, office workers, school board workers and so on. In the absence of an inventory compiled by the ministry, they asked the ministry to respond to the CUPE inventory, and particularly to respond to the biological and physical dangers that existed, which they had pointed out in their presentation. Their compilation of material runs to some 197 pages. They wanted to know what control measures or what measures one might put up to deal with some of the hazards which they had pointed out. That was June 27; there's no response to date from the ministry at all.

Of course one of their initial concerns back in April was some groups of the workers might be excluded from coverage under Bill 70. One certainly had a vibe back in January of last year that the then Minister of Labour (Miss Stephenson) was not particularly enamoured with covering public servants in general. That's what caused them to be rather displeased that the ministry would look at and prepare an inventory of hazards for public workers. Then when they didn't get it, they presented their inventory and asked for a response; no response at all has been forthcoming to date on the hazards booklet prepared by the Canadian Union of Public Employees.

Now just what is your response to these hazards, as compiled by them? Not having the list, why didn't you give a response? What is your response now?

Hon. Mr. Elgie: Dr. May, could I ask you to respond to that question?

Dr. May: Yes. We certainly have, recently, seen that brief you referred to. I don't have the other documents with me, so I can't tell you what commitment there might have been at the time of those meetings. I do know there is one group in the standards and programs branch which is developing an inventory program. I honestly can't tell you exactly how far that's gone at the moment, but we can find out.

Hon. Mr. Elgie: Does this group deal with these particular hazards as outlined by CUPEP?

Dr. May: It could, but I couldn't say for certain; I could find out.

Mr. Heath: The inventory work will be concerned with hazards in all work places. Of course to the extent those work places are identified as within government or within certain specialized areas, there will be unique hazards in those areas that will be located in inventories.

Our inventory in this area is perhaps not as completely developed as in the hazardous substances area with the hazardous chemicals at the work place. It is a little more general; it is perhaps easier to get a handle on particular substances. But this is part and parcel of our ongoing search for hazards in the work place and for developing programs for dealing with those hazards.

Mr. Bounsall: Do I take it from your remarks, as far as the Canadian Union of Public Employees people go, that you are looking for unique hazards in their particular work places rather than for the hazards that occur in those work places? You talked about unique hazards.

Mr. Heath: Certain of the hazards would be unique to certain types of workers in particular groups. To the extent that they are unique—for example, the hazards one might think of with respect to an X-ray technician would be unique to X-ray technicians and people working with that type of equipment—therefore, the hazard and the location of the hazard are included in such an inventory.

Hon. Mr. Elgie: That is not to the exclusion of general hazards in that type of setting?

Mr. Heath: No.

Mr. Bounsall: Obviously CUPE expected a much quicker response and looked at the June meeting as the commitment to get a response at their work places. How long is it going to

take you to completely this inventory? In one sense, I quite appreciate that an inventory is never complete; you are going to be turning up certain kinds of hazards that one hasn't imagined or thought of at the moment. But one would hope at some point that one would have an inventory of hazards that one would encounter in work places, both those that are general to whole groups of work places and those that are unique to particular work places. When do you expect that? Where are you along the work in that?

Dr. May: There are a large number of these types of inventories that are going to be required. We have already embarked on one, on hazardous substances in industries that are currently covered.

One of the problems we have is the vast amount of other things that have to be done. We are trying not to start on too many exercises all at the same time and end up by completing none of them. We feel we should complete this first hazardous substance survey, the one we gave you a copy of last week. Once that one is nearing completion, then we can go on to the next stage or something which proliferates out of this particular survey and deal with individual groups which are separate and may have hazards which are somewhat different from those encountered here.

Mr. Bounsall: In the hazardous substances list you are just dealing with substances that are in hand. What about substances that are generated? One of the areas for hospital workers, as was pointed out in the CUPE brief, is the ozone that is generated by certain copying and electric stencil machines; and we know what the ozone hazard is. Does the hazards list deal with those hazards that can be generated by the operation of equipment?

Dr. May: Yes, in much the same way as it is in terms of an industry: the products, the byproducts, the substances that can occur as a result of changes in temperature, things such as blockages in flow lines and so on—anything that can occur within an industry and generate some unpredictable hazard.

Mr. Bounsall: How are you going to measure or respond to one other interesting hazard which they point out, that of fluorescent lights? Have you done any work on that at all?

Two or three years ago, we were all made aware of the studies which showed that fluorescent lights should not be used in supermarkets because they destroy all the vitamins in the dairy products on which they shine and that all our milk bottles and butter should be wrapped in black paper

because of the radiation emissions, albeit mild, from fluorescent lights. Have you done anything on that and what have you found on that?

Hon. Mr. Elgie: Surely butter would melt with black paper.

Mr. Bounsall: A black milk bottle, then—with orange lettering.

Dr. May: The special studies and services branch has had a radiation protection section in it for some considerable time, most of this relating to activities in terms of ionizing radiation. We've recently extended that to other areas of the electromagnetic spectrum. Perhaps Dr. Fitch would like to comment on this, since this is in his particular branch.

Dr. Fitch: Sorry, I don't have very much to contribute on this subject. We have been gathering whatever literature is available on the effects of fluorescent lighting, but we haven't got any kind of report on it as yet.

Mr. Bounsall: Can you recall what any of the literature said about the effects of fluorescent lighting?

Dr. Fitch: No, I'm sorry I haven't been dealing with it myself.

Mr. Bounsall: It's a hazard which we all face and we might like to know just how serious is the effect, if any; or what length of exposure in a given day would cause some concern; or how close or how far away from it we may have to be. This would be of interest to all office workers. Is this the kind of information you might be able to get and turn out in the near future?

Dr. Fitch: It's not something we can do research on ourselves. We are too small a group to get involved in it from that point view. All we are doing is monitoring any available literature.

There have been very conflicting reports as there often are on this kind of subject. Most of the more acceptable effects have to do with people just complaining of excess light, saying it makes them feel uncomfortable or that they get headaches or eyestrain from it.

In many cases, people choose to have less light. In fact in our own offices most of us have removed some of the tubes, not because of any direct hazard we expect to suffer from it but because it's more comfortable with a little less light. There has been a tendency in modern buildings to provide much more illumination than is needed for comfortable work.

There have been some reports, as you say, of effects on vitamins. There have also been some suggestions that there is an effect

on blood pressure, but it's not confirmed. In every aspect of non-ionizing radiation that we've dealt with, you get a few reports turning up claiming all sorts of effects and when other people try to verify them they are not being able to do so.

However that doesn't really prove anything, because if somebody says they found something we have to assume it's possible that effect does exist. But we are limited studying the results of other people's work in this area.

Mr. Bounsall: You mention the effect of eyestrain and what have you, and excessive light having an effect on this. Have you developed, from your reading, any range of light beyond which you would not recommend going because of the potential for producing eyestrain or headaches in groups of people?

Dr. Fitch: There are standards established. I think the Ministry of Government Services has some standards for buildings with respect to recommended light levels for different kinds of tasks. If you're doing extremely fine work most people like to have more light. If you're doing only an inaccurate type of job, like stacking things on shelves or taking them off, you can do quite well with something much less than that. In between those two is the amount people need to do office work comfortably but it varies quite a lot with the individual. [8:30]

One can follow the ordinary standard which the government services people have established and which are essentially standard used all over North America. They're recommended as temperate standards for different types of activity. There is no point having more light than is required. From what I've heard over the years, I don't know that there is any really harmful effect from it, but it is uncomfortable for some people to have excessive light.

Mr. Bounsall: As office workers will be forming health and safety committees and on information as to what recommended standards are for various types of work, particularly office work, will be readily available from the ministry.

Dr. Fitch: Yes.

Mr. Bounsall: If you get those requests will you be able to answer very quickly?

Dr. Fitch: Yes, I think so. They exist in most textbooks on ergonomics; there is very little change if you look at different places around the world, they all seem to use approximately the same figures.

Mr. Bounsall: Being a bit more general, I am fairly impressed with the detail of the report made by CUPE. Two or three things in various areas struck me as interesting. They brought up the same thing which concerns the agricultural worker and the farmer: the lack of roll-bar protection and roll-over protection on the parks machinery used in most parks departments, and the very great need to have a health and safety protection this sort of standard written right into the manufacture and use of equipment in the province of Ontario, for both farmers' equipment and for similar equipment used in our parks departments. I assume the ministry is considering encouragement or regulation or legislation along this line.

Hon. Mr. Elgie: Mr. Cleverdon, you've been interested in the roll-bar problem.

Mr. Cleverdon: This has been kicked around for a number of years in the construction industry. We have not had more than one or two deaths a year as a result of somebody falling over a tractor or a front-end loader in construction. It's been suggested that we could have what they call ROPS—roll-over protection structures—made mandatory on these machines; but in most cases the accident is caused by operator error or lack of experience or lack of training. On top of that, before the ROPS will work the operator has to be strapped into the machine with a harness, like a seatbelt in the car only better than that. It goes across the shoulder and is a complete harness. The unions will not support that. They say the man must be able to get out in case it turns over. They have said flatly they will not support our making that mandatory, so we're in a complete dilemma at this point.

As a matter of interest, as far as economics are concerned, in a study made in 1975 when there were about 17,000 machines working on construction in Ontario, it was estimated it would cost about \$3,000 per machine to retrofit them with the ROPS, that is \$51 million to retrofit them with the equipment which might possibly save one life a year.

I'll leave that open for your discussion. You can't put a dollar value on life, obviously, but on the other hand we have to consider the fact that we're talking about a very large number of dollars to possibly save one life a year.

Mr. Bounsall: But that was a retrofit, I gather.

Mr. Cleverdon: Yes.

Mr. Bounsall: What about if one required that sort of protection and set a given time

in which to achieve it on all new equipment produced? We're not talking about a retrofit, we're talking about a slightly different design. We're not talking about the cost of a per unit retrofit.

Mr. Cleverdon: Dr. Bounsall, it's a very big problem. Do you want a bit more background on it?

Mr. Bounsall: Go ahead.

Mr. Cleverdon: All right. It goes back a long way in time. Roughly 12 years ago before the OSHA standard in the United States came into being in 1970, California had a very severe standard of safety for construction workmen. In 1968 or 1969, I'm close on dates, they required that all machines used to build roads in California—bulldozers, tractors, and front-end loaders in particular—be equipped with ROPS. Manufacturers like Caterpillar, Euclid, Allis-Chalmers and so on, had to design a machine that could have ROPS fitted to them. They opted for a way out. They built the machine with a seat or a pad on the machine to which a manufacturer could attach his own design of ROPS. It's all tied up with the position of manufacturers in the USA for liability. I don't know if you're aware of that.

Hon. Mr. Elgie: I can imagine it.

Mr. Cleverdon: Right. Shortly afterwards, the US Corps of Engineers, I may have the wrong name on that, made the same standard apply to all machines they bought, since they too were using the equipment in California and elsewhere in the USA. Their specification was the one used for purchase of machines that would be used in Vietnam. When they landed off the barges they were often destroyed four minutes later by napalm attack, but all the machines required ROPS attachments.

You'll pardon me, sir, on this point, but this is a bit of a personal theory. All of a sudden the Vietnam war came to an end, and just about that time the then Under-Secretary of Labour for the US government decided to make ROPS mandatory on all machines coming under OSHA in the US. I'm sceptical of the reason for that, I'll leave that unanswered. We are, frankly, very doubtful they have any real value in Ontario; and that's after a very sincere and detailed study by the road builders, the sewer contractors and others working with these machines in this area in Ontario. We're talking, here, about possibly saving one life a year at the outside, at a very substantial increase in costs. Who pays for roads and sewers in Ontario but the taxpayer.

Mr. Bounsall: You were talking about a \$3,000 per unit retrofit.

Mr. Cleverdon: That was four years ago.

Mr. Bounsall: By retrofit I envisaged a changing of the design and structure of what was already manufactured or about to leave the company, whether or not one got acceptance of being strapped in. I presume there would be companies which would be able to supply the equipment for the redesigned basic equipment. You've not been talking, however, \$3,000 per unit.

Mr. Cleverdon: These things fall into two categories. First of all, those turned out since 1968 on which manufacturers have not seen fit to install a seat or a pad to which you can attach the ROPS. Those made before that time don't have devices on them. The alternative there is to redesign that machine completely, or in most cases scrap it.

Mr. Bounsall: What's the difference in cost between those that are designed to take the ROPS system and those that aren't?

Mr. Cleverdon: It's a matter of scrapping those that aren't, I would say. They aren't worth what it would cost to retrofit them. Many are owned by municipalities like the city of Windsor, which would be faced with that enormous cost of—

Mr. Bounsall: Or scrap it entirely.

Mr. Cleverdon: Yes.

Mr. Bounsall: By retrofit, you're talking about \$3,000 a machine to go back and re-equip those that were in the companies and ready for sale or being manufactured at the time. I can understand that sort of cost. The cost I'm interested in, which seems to be negligibly different, would be the cost of the machine with that on it as a standard production run, as opposed to building one without that on it and without the capability to add the ROPS system. That cost isn't \$3,000 a machine, surely? You're not going to replace them all, you know; machines wear out.

Mr. Cleverdon: Yes, I know. I'm not talking about dollars, I'm told it's about 10 per cent extra when they're bought brand new. That is the cost of the machine with ROPS. It is about 10 per cent more with ROPS bought brand new.

Mr. Bounsall: About 10 per cent more.

Hon. Mr. Elgie: Mr. Bounsall, I just happen to have information that the farm safety association is in discussion with the Canadian Standards Association about this very problem to see if it's possible to come up with a feasible roll bar.

Mr. Bounsall: They seem quite concerned about it. Before we go any further, was the minister aware of this hazards report by CUPE?

Hon. Mr. Elgie: Personally aware?

Mr. Bounsall: Yes.

Hon. Mr. Elgie: No, I wasn't personally aware of it.

Mr. Bounsall: As you went about your discussions as to whether to include or exclude various groups of workers from coverage, you weren't aware of the inventory made by a group of workers in the public sector?

Hon. Mr. Elgie: Not the individual report per se; just a compilation of material from the various reports that have been presented.

Mr. Bounsall: That's interesting.

Hon. Mr. Elgie: Yes, it would be interesting. I'd like to take the time to read the volumes, but it does present a problem. However, I think that's the beauty of having capable staff, isn't it? They can analyse data for you and hopefully provide you with information.

Mr. Bounsall: You might be required to have a look at some of that information soon.

One other area I'd like to touch on before I turn it over to somebody else is the situation of Cathy Duhaime, a worker at Inco who exercised her right to refuse an assignment. She had exercised it once before as a result of having to work on a particular chair arrangement to handle some copper castings. It seems you lay back on this chair, as if you're in a dentist's chair with your feet pointing upwards and do some work closing some doors. It sounds like rather a complicated, difficult and ridiculous job. I gather it is rather dangerous in that if you don't get the doors shut quite right you're subject to having the hot metal from the mould pour on top of you.

The health and safety committee there wrote a work order to fix the chair and have it adjusted so that people with different lengths of legs, since one has to do the operation with their feet, could perform it.

She was asked some months later, in this past calendar year, to go back on that job, and when she turned up at the job she found there was no chair. There were supposed to be two workers working alternately, but there was no chair on her location. She was to stand back out of the way and somehow shift in and out of this chair with the other worker she was relieving.

Anyway, at that point she objected, because the chair about which she had complained previously—about its construction and use;

he claimed the job was unsafe even without at chair.

She was ordered by her foreman to go into the area anyway. She indicated she wanted to see a steward, and he forbade her to see a steward. She then said she was going to claim the area was unsafe under Bill 139. She's noting the foreman as saying something very complimentary about the bill—"go off the bill," he says. She said, "Fine, I want to speak to the safety engineer of the company;" and he says "you're not seeing anybody." She then indicated that she wanted a mining inspector called, and he refused that. She then got in contact with the health and safety committee representative and he advised her to go home. The whole area was then investigated by the ministry and the implication right along is that if the job did require people to terminate rather quickly he would certainly be finding in favour of the claimant. It was determined—that it was required to alter the area and the company should have provided at chair, be it safe or unsafe.

[45]

The point of this story is, what happened to that foreman who refused her reasonable requests to talk to her steward, to talk to the safety engineer at the plant; who certainly gave his thoughts in no uncertain terms about what he thought of Bill 139 and the right to refuse, and refused to get involved in the calling in of a safety inspector from the ministry?

His excuse apparently was, to quote from this woman, "I didn't know the rules of the bill." This was in March of this year, some 1 or 16 months after Bill 139 was in place. Perhaps he didn't know the rules. It brings up a couple of questions. Why didn't he, on to part of Inco, know the rules of Bill 139 and what he had to do? Secondly, if in fact he did know and this was just the general way he operated in the plant, with that clear record of his refusals in this situation, why weren't some charges laid against the foreman or against the company by the ministry under those circumstances?

She managed to carry on and get her right to refuse upheld; the ministry did come in and did investigate. It seems to me you've got a very unsafe foreman in terms of his responses to workers trying to protect their safety in the plant. His attitude certainly was one of just get back on the job, irrespective of how safe or unsafe it is. Why was no action taken against that foreman by the ministry? Why was no report written about his attitude? Perhaps there is a report. Could someone enlighten us on that?

Hon. Mr. Elgie: Mr. McCrodan from mining, could I ask you to answer that?

Mr. Bounsall: By the way, is it your staff who do the safety inspections at Inco and other smelter operations?

Mr. McCrodan: That's right. The action took place on February 27. We were not informed until a day later, when we found the girl was denied the opportunity of having a union representative with her on the case and she was sent home. The supervisor acted improperly. When we confronted Inco, some of the senior supervision became aware of it about the same time we did, because this was on a different shift, on the 12 to eight shift. When they caught up to it, and we caught up to it the next day, the thing was rectified. She was paid for the shift she lost and he was given a severe reprimand.

I can't speak as to further action because there's another case concerning this man before the court at this time. There has not been a decision made on it.

Mr. Bounsall: Is the ministry taking him before the court?

Mr. McCrodan: Yes.

Mr. Bounsall: The same foreman?

Mr. McCrodan: The same foreman, yes.

Mr. Bounsall: You do go in and lay charges from time to time on foremen who get involved in health and safety matters?

Mr. McCrodan: Yes.

Mr. Bounsall: How many have you laid this year?

Mr. McCrodan: I can't remember how many, about 12. It seems to be a slow process to get the necessary action. It's a matter of the work load, I guess, in the courts.

Mr. Bounsall: Roughly one a month?

Mr. McCrodan: It's about that, yes.

Hon. Mr. Elgie: That's in your whole mining area?

Mr. McCrodan: We have a few other areas that are a little bit more successful in that regard. If we run into some unsafe situations where there's imminent danger we don't wait for the court action. The company is requested to close them down.

I can't remember how many of those. I know there's been about a dozen or so this year.

Mr. Bounsall: This one case per month, or 12 per year you're describing, are cases on an individual?

Mr. McCrodan: No, it can be a group action too. Sometimes it's the supervisors

and the men; sometimes the men alone, sometimes the supervisors alone.

Mr. Bounsall: Could I ask the minister, and this may require comments from the other section heads as well, how many charges have been made, group wise or individually, in all sectors of the three areas now covered? While we are at it, perhaps this leads to the question, how many refusals, on the right to refuse work, have you had to date? Your explanatory material takes it up only to the end of March. Which were clear violations with orders being written and so on and which ones weren't? What are those current totals?

Hon. Mr. Elgie: First of all, Dr. May has the totals with regard to right to refuse. I'll ask Mr. Cleverdon and Mr. McNair to respond to the other questions.

Dr. May: From January 1977 to November 1978, refusals to work in relation to the industrial health and safety branch are 158; construction health and safety were four; mining health and safety were 19; for a total of 181.

Mr. Bounsall: How many of those had orders issued?

Dr. May: From April to November of 1978, there have been 52. In 16 of those cases the refusal was supported and in 36 it was not substantiated. If you want the details of those I think you should refer to each of the branch directors.

Mr. Bounsall: Could I ask one other question? Throughout the discussions of Bill 70, one kept hearing from employers that they were concerned about a frivolous use of the right to refuse. The figures as of last January were 62 refusals, 43 of them justified; and of the other 19, there was concern in all cases even though an order wasn't issued. Only one was dubious, but it wouldn't have been called frivolous by any wild stretch of the imagination. I would assume the figures you have now would follow roughly the same breakdown. Have you found any that you would indeed call a frivolous use of the right to refuse?

Dr. May: Not to my knowledge, but I think you could check this with each of the directors individually.

Mr. Cleverdon: Dealing first of all with the question of prosecutions, I might say, as a matter of a preface we expected we would have a peak about year two or three of our current program, which began on August 1, 1973 when the new bill was put in force.

In 1974-75, there were 648 convictions, with total fines of \$200,344. In the following

year, 1975-76, convictions almost doubled 1,123, but fines increased very slightly \$254,984. There was a big upturn in convictions of workmen for not wearing hard hats and safety footwear, which resulted in few small fines; but there were a large number of convictions.

The year after, 1976-77, it dropped back as I had thought it would, to 606 convictions with a fine total of \$179,706. The following year, 1977-78, there were 536 convictions with total fines of \$178,855. For the first 10 months of the current fiscal year, to the end of September, there have been 195 convictions again a downturn; but the fines total \$65,255.

There have been quite a few since the end of September which I haven't got in front of me right now, but it is running about the same as it was a year ago.

As to refusal, the only case that really has been substantiated involves a telephone company. It is now before the courts, so I can't comment on the details of it.

Mr. Bounsall: You have had one before from January 1977 to November 1978.

Mr. Cleverdon: Yes, in two years.

Mr. Bounsall: Would any of those be called frivolous? There are so few of them.

Mr. Cleverdon: The one that we did thoroughly investigate is before the courts because we felt it was not frivolous and that was in fact valid. It has not yet been tried so I can't discuss the details with you.

Mr. Bounsall: It is the company you have before the courts.

Mr. Cleverdon: Yes.

Mr. Bounsall: In the other three, were the adjustments made to the presumably unsafe conditions?

Mr. Cleverdon: The other three were quite recent. I haven't got the details. I may have the number up there. If I can trust my memory, two of the three were unfounded, that is not confirmed by our investigation. They were sensations of unsafe conditions that were not in fact proven valid on our investigation.

Mr. Bounsall: But if there was a sensation of unsafeness and then you discovered wasn't, that still doesn't make it frivolous.

Mr. Cleverdon: No.

Mr. McNair: During the last fiscal year 1977-78, there were a total of 67 convictions with fines of \$34,934. Since then, in the current year, there are 11 convictions with fines totalling \$18,000. There are also 12 acquittals, dismissals and withdrawals.

Mr. Bounsall: How do those roughly break down in the industrial field? Are those mainly foremen and supervisory staff; or is it a 50-50 mix of those, for example, workers who don't wear safety glasses and so on?

Mr. McNair: No, there have been no personal charges. These charges are essentially against the employer and the supervisors responsible.

Mr. Bounsall: These are essentially all against the employers and the supervisors.

Mr. McNair: Yes. There would be no individual charges, as I recall off the top of my head. The basic thing is there is a primary duty on the employer to ensure the employee behaves in accordance with the law.

Mr. Bounsall: Are these charges on employers because they did not insist upon a particular safety standard or did they ignore; or is it because they have somehow created unsafe or unhealthy conditions? There are two different categories.

Mr. McNair: I think I would like to answer this in general terms. We go to court with someone who has been in some way irresponsible, where it has been clearly shown. The objective of our exercise is to get compliance with the law, or even better than that, hopefully. These people have in some way indicated a recalcitrance or a disregard which was not acceptable in the kind of atmosphere we deal with.

Mr. Bounsall: On the right to refuse, what are the figures?

Mr. McNair: From January 1977 to March 1978 there were 111. From April to October this year there were 35. Of the 111, 53 were substantiated; and of the 35, seven were substantiated. Of the rest, there were 58 out of the 111 that were not substantiated; and 28 out of the 35 this year that were not substantiated.

Mr. Bounsall: Of that total, have you run across any that you would call frivolous use of the right to refuse?

Mr. McNair: I haven't even used the term. I quite frankly feel that if a person has a perception that there is a situation he should deal with this can never be frivolous.

[00]

I wouldn't want to encourage any of our staff to deal with these complaints in these terms. I think it's essential that we deal with facts. I ask them either to substantiate or in fact there was a refusal to work or something like to that, or else there was not. It's as simple as that. I don't think we should deal with frivolity when people feel they're being endangered.

Mr. Mackenzie: I think that should give you all the information you need for the cabinet, shouldn't it, Mr. Minister, to guarantee that we get some strength back into the right-to-refuse section of that bill?

Hon. Mr. Elgie: Maybe it's already there.

Mr. Mackenzie: I don't think there's any problem at all, based on—

Mr. Chairman: Do you have any further questions, Mr. Bounsall?

Mr. Bounsall: Not at the moment.

Mr. Chairman: Mr. McGuigan?

Mr. McGuigan: Mr. Chairman, I live at Cedar Springs, nearby the Southwestern Regional Centre, which is a centre for looking after—for the want of better description—retarded people. The Ontario Public Service Employees Union there has written me quite a number of letters. I haven't counted them, but there are 20 or 25 letters telling about the various escapes they have had in dealing with the patients. I had this forcibly brought to my own attention about five years ago when my daughter was working there as a summer student in the workshop. She was attacked by one of the students, a big boy, and she only got out of it because someone happened to be going by in the hallway and heard her screams and came in and rescued her.

As far as I can tell, in talking to my daughter's experience and that of these other people, there is no really organized system to protect people against violent patients.

With your indulgence, I would like to read three or four of these letters.

This is addressed to Mrs. B. M. McIntyre, president of Local 126 of OPSEU:

"In reference to Bill 139, which lacks protective coverage for employees of the Ontario government, I wish to cite a few incidents. These incidents could have seriously resulted in injuries had it not been for my experience in judo.

"1. During a floor hockey game, a resident burst into anger after the puck had been taken from him by an opponent. This angered resident began swinging with his stick in my direction. Since I was able to defend myself, thanks to judo, I managed to immobilize the resident and take the weapon away.

"2. During a field hockey game, a resident attempted to attack a female employee who was refereeing the game. I managed to stand between the employee and the attacking resident. Again, thanks to my experience in judo, I managed to immobilize the resident.

"These are but a few incidents that occur whereby employees face the possibility of serious injuries to themselves in their attempts to cope with the residents. You have my permission to bring these to the attention of the government."

That letter was from Oscar Laprise, a teacher in physical health instruction. Here's another letter:

"I have been employed at Southwestern Regional Centre for almost 16 years. At present, I am responsible for 24 residents and 11 other staff members. We are subjected in dealing with the residents in various situations concerning their welfare but at times are placed in hazardous situations. We care for them when there is infectious diseases such as hepatitis—residents who are possible TB carriers that we are close to in a ward environment."

Just to stop there a second: Mr. Bounsaill was there that evening, and they requested rubber gloves and so on which would give them some protection when they handled the bed linens and so on. To go on:

"During the present situation, staff are encountering more residents' abuse toward the staff—hitting, scratching, striking out with their fists and kicking at them, causing injuries to the staff members. In the past, we employed a considerable amount of men in this facility but due to other opportunities they have resigned. I now operate a ward with 11 staff, three male and eight female staff, managing 24 male residents. You cannot expect a female staff-member to control a male resident who is really aggressive and expect no accidents, especially controlling three shifts and days off during the week. I'm asking you to fight for myself and staff members at the Southwestern Regional Centre for full coverage under the health and safety legislation." This is signed Paul Malott, ward supervisor.

I employed some of these people on my farm a number of years ago. They were using forks to fork out strawberry plants. I don't wish to be abusive to these children, but they just don't have many inhibitions. When one became annoyed with another he shoved the fork into him. So I have seen first-hand what can happen.

This is to whom it may concern: "Solid objects such as bricks and stones being thrown by residents, breakable objects such as glass containers and hard plastic toys being thrown at staff, causing lacerations. Larger objects, such as urns full of hot tea or coffee; chairs, tables, beds and benches being thrown by residents; being bitten by residents; being punched in the face by

resident causing dental damage, eyeglass breakage, damage to eyes and surrounding tissue; being scratched by residents; being hit with objects held in residents' hands such as baseball bats, hockey sticks, belts and so on; being kicked by residents; being thrown to terrazzo floor by residents; residents stomping on staff's feet; female staff being indecently assaulted by residents; personal belongings being destroyed by residents; personal clothing torn by residents having to work with residents while they have a contagious disease such as hepatitis, shigella, measles, scabies, body lice, respiratory ailments and so on."

This is signed by quite a number of people: Mrs. M. A. Brooks, Mr. David Stock, A. S. Neville, A. Presant, Greenslade. There are two or three names there I cannot read.

I could go on with two or three more but the whole point of it is that these people say there really is not a good safety program for them. They cannot refuse to work. They just feel they deserve the protection of the law that is given to so many other people in other occupations.

I think it's a special problem. As industry has become more prevalent in southwestern Ontario, there are a great many parts plants in Chatham, the International Harvester plant and now this new Windsor plant. These are taking the men and leaving this largely to women, who have to deal with some pretty hefty, strong people.

I bring this to your attention. On their behalf I bring the plea that the people in this facility be given all the rights and privileges that other people have under occupational health and safety.

Hon. Mr. Elgie: Thank you, Mr. McGuigan. I know we all share the concerns people have when they work in situations where there are some risks. Certainly that group you have spoken about are vulnerable to acts that have an impulsivity and lack of control. I hope the training people who work there have had in the various programs they have taken has given them a previous awareness of the type of problem they are getting into. It's not an easy one. Easy answers may be a little hard to come by. But thank you for pointing it out to me.

Mr. Chairman: All through, Mr. McGuigan?

Mr. McGuigan: I would like to respond to the gentleman who was speaking about roll-over protection. This is a big thing in the farm community. OSHA in the United States had a good push on roll-over protection and retrofit.

I just find it hard to understand why you can't fit it fairly easily to a tractor that's out in the field. If you can envision a tractor and the rear axle being one of the main components, these things are simply bolted onto the rear axle, which in most cases is free and open. If there happens to be a hydraulic loader on the back end of the tractor, then it is not so easy to work at it, but most tractors have free access to that axle. That's the only thing, really, to which you can bolt your braces. It would be bolt, not weld. You can bolt your braces to that axle. It seems to me it's easier than was indicated.

I would also like to express the concerns of farmers. My area is certainly a very strong agricultural area. They support safety and safety legislation, but they are very worried about being included in Bill 70 and being inspected by industrial inspectors.

I think if you look at the history of OSHA in the United States, it resulted, initially, in less farm safety because the regulations were written in sort of an industrial setting and were so complicated farmers really ignored them. It set back safety for a number of years. That may be overcome after a period of time, but initially it set back safety.

You think of such things as people filling a kiln of tobacco. As you probably know, you start in the morning to fill a kiln and it must be filled that day regardless of weather conditions. If it starts to rain, the people go on and finish that kiln, because if it is only half finished that kiln of tobacco will not cure properly.

They work in some pretty nasty conditions, but this can be taken care of by plastic raincoats if the people will wear them. It's just very uncomfortable underneath that plastic, because then you sweat. You're about as wet from sweating in the heat as you are from the cold of a cold rain. These situations are simply not understood or appreciated by people who would be inspectors in the industrial field. I just use that as one example.

Farmers are really concerned about that. They would like to see a safety law, but one that was separate and administered by separate people.

Hon. Mr. Elgie: Thank you, Mr. McGuigan.

Mr. Chairman: Any further questions, Mr. McGuigan? If not, Mr. Mackenzie.

Mr. Mackenzie: Mr. Minister, I sent you over a note today in the House about a situation at Stelco. I guess it was my error, but back on November 21 I was asked by

some of the coke oven workers at Stelco to get a ruling on what happens if they refuse to wear the respirators. I gather company policy as of December 1 is they must wear them. I gather also there was close to a confrontation over the issue today, and the complaint was passed on to me. I've been told I will have in a sample, to show exactly what they mean, either tomorrow or the next day, from some of the coke oven workers.

Hon. Mr. Elgie: The respirator?

Mr. Mackenzie: Yes. Their complaint is the respirator may filter out some of the impurities but it seems to concentrate the gases. The ones who are complaining at least say it makes it very difficult to breathe. I gather it was at the point, when I was called today, where a couple of them were prepared not to wear them and take the consequences. I know at least one of these employees, and there are some 14 years in the coke oven job involved. I'm wondering if you can tell me just what the ruling is in terms of respirators and whether or not this complaint has come up before?

Hon. Mr. Elgie: I'll involve two or three people in this if I may, Bob.

I might tell you when I was up at Elliot Lake, I did try both types of respirators that are used today, the air stream and the direct breath one you are talking about. I can understand if one were doing a lot of heavy work one mightn't get enough volume of air through the mouthpiece.

[9:15]

One of the members of our health and safety committee, Dr. Rajhans, is here. He has had quite a bit of experience with respirators and maybe he could say a couple of words about the matter. Then Jim McNair could comment on the particular problem at Stelco in Hamilton.

Mr. Mackenzie: Just before he gets into it, I am wondering if there is a hard-and-fast rule that refusal to wear a respirator does mean dismissal?

Dr. May: No. In most companies I have had experience with where it is necessary to make this a condition of employment, employees are expected to abide by what specific protective equipment is necessary to be worn in a particular area.

Hon. Mr. Elgie: What he asked was, is this grounds for dismissal if a company issues an order?

Mr. Mackenzie: I haven't seen exactly what has been done in this case. I gather it is now a house rule, or a company rule.

Dr. May: In most companies I am aware of and have worked in, this would be grounds for dismissal. I am not quite sure what Stelco has done about it. I can't really say how they have approached this problem.

Mr. Armstrong: But the imposition of a rule in mid-collective agreement that purports to carry immediate dismissal for contravention of that rule would certainly be subject to the grievance and arbitration procedure. You are aware of the arbitration jurisprudence result.

Mr. Mackenzie: I got it so late this afternoon, during question period, that I haven't had time to check it out with the union as yet.

Mr. Armstrong: One would have to say the mere imposition of a rule would have to be tested in the arbitration procedure. There are cases which say simply that a unilateral promulgation of a rule of that sort doesn't necessarily mean the consequence indicated will be upheld by an arbitrator.

Hon. Mr. Elgie: Dr. Rajhans, what are your comments about respirators?

Mr. Rajhans: On respirators—I will come back to coke ovens if you have a specific question on that.

Mr. Mackenzie: It happened today. At least the complaint was made today. It has been building since at least November 21.

Mr. Rajhans: Exactly. Our records show that in some of the coke ovens, the results were up to 13 times the guidelines I talked about in 1976-77 when we did the surveys. Directions were issued, or suggested anyway, that the proper type of respirators be worn.

One should understand a little bit of background about respirators. In my paper, *The Uses and Abuses of Respirators in Industry*, which I published in the *International Journal of Occupational Health and Safety* in September of this year, I indicated in a series of case histories that it is one thing to suggest or direct the wearing of respirators, it is something else to really make it effective. It takes both the employer's and employees' co-operation.

There are several factors that come into play in order to make any respirator efficient. I can't go into the detail of what I put in my paper, but I think it is a very informative article, not just because I wrote it but because—

Hon. Mr. Elgie: Don't be modest.

Mr. Rajhans: —according to the reactions I am getting, it was the first practical article to put the onus not only on the employer,

who has the primary responsibility, but also on the employees who seem at times, with all due regard, to abuse them.

As far as coke ovens are concerned, NIOSH has published under what circumstances what type of respirator shall be used. We take that as gospel, and if you want can elaborate on why we take it as gospel.

OSHA did not have to accept any of these guidelines, OSHA could have gone anywhere else to find out the guidelines for those types of respirators, but they looked into all kinds of research data and finally agreed that NIOSH was on the right track. Consequently, NIOSH suggested if it is less than or equal to 10 times the proposed standard, then a quarter- or half-mask respirator with replaceable dust filter or a single-use dust respirator shall be used. If it is less than equal to 50 times, then a full-face piece respirator with replaceable dust filter shall be used; and if it is less than or equal to 100 times, then an air-purifying positive-type respirator with replaceable filter, of the air stream-type that Dr. May was suggesting, shall be used.

That has become our guideline for two basic reasons. We have studied and reviewed, really critically, all the data that NIOSH had and have agreed that NIOSH was right on that. Secondly, in the absence of any other Canadian data, we had no choice but to take it and recommend it, which under the Industrial Safety Act becomes a mandatory requirement; or do our own experiments, for which we neither have resources nor facilities. That's why we accepted it. To the best of my knowledge—and perhaps Mr. McNair who enforces our recommendations can elaborate on this—they have been carried out and have been enforced.

Mr. Mackenzie: If I can cut through some of this a bit, I suspect unless I'm dead wrong—and in this case I don't think I am—both the company and the union are requiring them. I know from talking to some of the employees that most of them figure it should be done, although there are mixed feelings on the use of them. I do know specifically that the complaints being made are that they do seem to get a build-up of gas and find themselves unable to breathe through them now that this is being enforced. There may be problems for a number of people, including the company, the union and the employees involved.

What I'm really wondering is are we just going to use the standards that have been set up or are we going to be able to take a specific look at the respirators being used there and to test them to find out whether

or not it is a legitimate complaint? It's not often you get workers to the point where they're absolutely ready to refuse regardless of the potential consequences, but that certainly is the case with some of them at that operation right now.

What I'm getting at is I don't disagree with anything you've said, but I'm just wondering how can we specifically make sure that they're not right, that they may have more problem with the damn thing than working in the higher concentrations, which one of us want.

Mr. Rajhans: Could I just add here that we have started a follow-up and we were anticipating something of this kind? We have started a follow-up of the 1977 surveys and we will have detailed reports on each company, including some of the follow-up of the directions that we suggested in 1977. That includes Stelco.

Hon. Mr. Elgie: Excuse me, Mr. McNair may have something to add and then Dr. May could comment on any work that may be going on in Ontario.

Mr. McNair: I wonder if I could just make a point about the Industrial Safety Act in regard to personal protective equipment. The legislation has a requirement that the employee must wear what he is required to wear by the employer. An employee, in turn, has the responsibility to ensure that they are protected if he had found that there is a protection. Therefore, most people are in jeopardy right now as far as the law is concerned, if they do not comply with the directions that have been issued, namely, that during the period the engineering controls and various changes are being made to the process—the installation of clean rooms and air-conditioned cabs on Larry cars and so on—which were projected in 1976 in agreement with the union, in order to protect the people who are there they must wear respirators. This direction has been issued, so the situation is both parties to this case are in jeopardy as far as contravention of the law is concerned.

There have been discussions between management and the union on this matter. I know, because I have a report from my officers. It's not something that has just arisen during the last two or three weeks. There have been problems. They have not been wearing their respirators and that's why the action has been taken. There is a direction outstanding requiring the wearing of respirators, and as you many times sit here and tell me, we have to enforce what's going on. This is the action taken by the inspectors to ensure the requirements of the

directions issued were, in fact, being carried out.

Mr. Mackenzie: This is a requirement then of the ministry, not necessarily just of Stelco.

Mr. McNair: Yes, this is a result of the representations made some years ago and the investigation done by the occupational health branch. They required us to issue a direction saying engineering controls were to be established, and, in the meantime, respirator protection must be worn. Certainly we are all well aware that it's uncomfortable to wear respirators and the tendency is to expose yourself to the hazard. As you know, the results of that exposure, according to the advice we get, don't turn up for 20 or 30 years. Certainly, it's going to be more comfortable for the first year or so, but don't come crying to me 20 years down the road when they picked up this condition 20 years before by not wearing a respirator. I think this thing has been handled very well by putting this internal responsibility system into action and saying, "Both of you have a problem. How are you going to resolve it and protect the workers?" There has been work carried out as you know in Stelco, considerable work.

Mr. Mackenzie: Are you aware of this latest problem?

Mr. McNair: Yes, I wasn't aware it had reached this stage. I was aware there had been meetings. There were going to be further meetings and I believe there were some people who came up from the States on November 9 to have discussion. I wasn't aware it had reached this critical point, but certainly, I think our officers have made it quite clear this matter must be resolved, and the people working must be protected.

Mr. Mackenzie: Specifically though, the point the workers involved are making about the respirators will be looked at again, I take it?

Mr. McNair: I would hope both the union and management are looking at this problem to resolve it, but our position is quite clearly they must be protected.

Mr. Mackenzie: I don't think we are arguing with that, Mr. Minister. What we are arguing is if a trained worker who has been there 14 years says it's more difficult for him to work with it than without, we have still got to clear up the problem. The problem is whether or not there's a better method. I don't know that.

Mr. McNair: I hope there will always be a better method for everything we do. What

we are really dealing with right now is whether he is going to be protected or not protected. The law requires they be protected or not work.

Mr. Mackenzie: Even if it kills him in the process.

Mr. McNair: He has that alternative not to work. I know this is a pretty harsh thing to say, but really that's what we are faced with.

Mr. Mackenzie: Well, it's a little more than harsh. I don't often see workers who are ready to use themselves as test cases and that's exactly what they were ready to do today.

Mr. McNair: Nevertheless, Mr. Mackenzie, I may point out when the same people come in down the road and say they have contracted the disease and the problem which arose from exposing themselves, it would look very bad if we turned around and said, "Okay, don't wear them. Just go out and expose yourself."

Mr. Mackenzie: Hang on for just a minute, sir. You are putting words there that were not there. I have not suggested that, nor am I suggesting the workers do that.

Mr. McNair: There are exposures. The only way to protect them is with respirators if they expose themselves to these concentrations. That's what the direction has said. There are concentrations and while these concentrations are being reduced, respirator protection must be worn. If they don't wear them, they will be exposed to concentrations which are higher than—

Mr. Mackenzie: I am satisfied with the answer, Mr. Minister.

Hon. Mr. Elgie: You might just want to know about some respective research on the respirators.

Dr. May: Mr. Rajhans has given the explanation as to why the NIOSH standards were adopted initially. One of the problems is there is no such agency in Canada or hasn't been up to now. During last year a conference was set up which is going to be an ongoing one, a conference on protective equipment, the COPE conference. This conference, in conjunction with staff from CSA, are going to look specifically at respiratory equipment.

[9:30]

One of the other problems we are attempting to resolve is the question of evaluating new types of respirators that come on the market, in terms of their efficiency and in terms of their resistance to breathing, which is a big problem in some cases with a high-efficiency

filter. We are currently trying to determine which of three people who have made proposals to us should set up such a test centre here in Ontario. This would mean developing a dust chamber and running a program to test all types of equipment in relation to a wide variety of hazards with which the equipment is intended to cope.

Mr. Mackenzie: Are you telling me that we are actively considering that kind of a test operation here?

Dr. May: Yes.

Mr. Mackenzie: Good.

A number of quick questions: I wonder if the minister can tell us whether there have been any follow up on the Hydro workers who were involved in the spill of polychlorinated biphenyls on Adelaide Street. I am not talking about the firemen who were involved; I am talking about the Hydro workers.

Hon. Mr. Elgie: I did look into that and I was given the same information, that their last checkup was in August and that there was no abnormalities recorded. Dr. May, do you have anything to add to that?

Dr. May: Dr. Fitch has been looking into this.

Mr. Mackenzie: Before he answers—I'd like him to—the verification is what I want. At the Ontario Federation of Labour convention, some of the employees passed on to me the information that they—I'm not talking about the firemen now, but about the Hydro employees—had been sent to their family doctors first and then Hydro did an inspection or a check of them, I think three months later, but nothing had happened since. Some of them, as you know, were sent in even after the initial spill and the cleanup without knowing exactly what they were dealing with.

Dr. Fitch: The information we have from the Hydro medical staff is, as Dr. May said, that most of them were tested several months after the exposure; they had liver function tests, all of which were normal. In our present state of knowledge, there really isn't anything more to do at this time.

Mr. Bounsall: May I ask a supplementary? In this area of further monitoring and testing, I have a letter written by John A. Moore, associate director of the research resources program of the Department of Health, Education, and Welfare in the United States, from their National Institute of Environmental Health Sciences division.

Speaking of PCBs and chlorinated dibenzofurans, which were there in small

mounts in those same circumstances and in transformers he mentions the experience in Japan, where the same type of problem occurred and where the illness Yusho disease came up as a result of inhalation.

This is from a letter written to the Hydro workers:

"Experience suggests that the effects of the combined PCB-dibenzofuran exposure may be delayed. Therefore, I would think it prudent to have exposed workers examined each six months for a period of two years." He takes as his reference the book PCB Poisoning and Pollution, edited by K. Hiyoshi, 1976, Academic Press, which documents the Japanese experience.

What are you planning to do or insist be done because of these suggested delayed actions? Are you going to test these workers, both Hydro workers and firemen for that matter, for a period of up to two years at six-month intervals?

Dr. Fitch: I would like to question the matter of the Yusho disease, Mr. Bounsall, because that was actually ingestion of PCBs. The people actually consumed PCBs when they were accidentally mixed with edible oils.

Mr. Bounsall: I gather the book deals with inhalation as well.

Mr. Mackenzie: Excuse me for a moment. Were there not some among the Hydro workers or the firemen who actually did suffer from facial lesions as a result of that oil?

Dr. Fitch: We never saw them. There were a couple of cases reported in the newspaper but we didn't see these people. As soon as we got on to it we tried to see the people who had been exposed.

Mr. Mackenzie: You were never given the names of the employees who supposedly suffered from the facial lesions?

Dr. Fitch: I don't think so.

Mr. Bounsall: Did you try to get in touch with all of the workers? Having seen that report, did you not contact all of the workers involved?

Dr. Fitch: Yes. We made a list of everybody who was involved—the Hydro people, firemen, those from the Ministry of the Environment, and even some people who were bystanders in the building. We've been looking into various reports, some of which suggest you can get fine enzyme changes that don't appear immediately.

We have done some negotiating with a couple of the hospitals in town to find out whether they would be able to do these tests

or not. They are very unusual things that have only been done in research institutes up to now. We thought probably after about a year we would look at some of the people who seem to have had the most exposure—just a few of them—to see whether we could find anything.

Mr. Bounsall: So you've planned a test at the year's interval?

Dr. Fitch: It's about that now.

Mr. Bounsall: Are you planning up to two years or is this as far as you've thought so far?

Dr. Fitch: I think we weren't planning any further than the one year at this time but we thought we'd just see what happens. It seems rather unlikely there would be any change later if we don't find anything at this time. It's possible.

Mr. Bounsall: If I can I'll send to the ministry this letter from Moore from the Department of Health, Education and Welfare in the States. It indicates there could be a delayed reaction and they should be followed up to two years.

Dr. Fitch: Thank you, we'd appreciate that.

Mr. Bounsall: Maybe it's just the way you're phrasing it but I get the feeling you may be taking this a little casually. You say there are possible enzyme changes and that these checks are made usually at medical research institutes?

Dr. Fitch: As far as I know they have not been done very often, but there is experimental work going on now.

Mr. Bounsall: Okay. If there's experimental work going on, presumably they could be tested. The exposure they got is, in my opinion, a rather serious situation, so why are we not planning to have all these workers tested with whatever tests are available and wherever they are available?

Dr. Fitch: I must say we've hesitated because some of these things would have to be done by so-called needle biopsies. One actually sticks a needle into somebody's liver to get a few cells or something of that kind. We have had a lot of discussion about whether it was worth while doing this or not. I think we're influenced by the fact that people have been exposed to PCBs in much larger quantities, as you know, over the years in the work place, and we don't know yet that anybody has suffered any ill effects as a result of it.

We're involved now in a major study on PCBs in which we are gathering together the nominal rolls of all the people who've

been exposed to PCBs in major industries where they were used, people putting together transformers and things like that. Some time in about March we'll be running this nominal roll through against the federal Statistics Canada death register. We are doing a number of substances that we're looking at—we're going to put them all through at the same time and try to find out whether there's been any unusual pattern of deaths among the people who worked with PCBs over the years. We think that really many of those people have much greater exposure than the recent ones in the fire.

Hon. Mr. Elgie: Hopefully after January 1 we can't even import PCBs, so perhaps we will have some hope for the future.

Mr. Mackenzie: It is best to know where you start in the meantime.

Mr. Bounsall: It's turning up in mother's milk. Will you be able to continue the test for that?

Mr. Mackenzie: I have a letter from the United Transportation Union and in it they enclosed a copy of a letter they sent to you, Dr. May, back in October. Have you looked into the concern they expressed about the exposure to diesel fumes? Do you remember the letter?

Dr. May: Yes, I recall that.

Mr. Mackenzie: Among the points they make that I found interesting: "At the outset I must point out that the railway industry is regulated by the federal departments of Transport and Labour. This, then, effectively removes railway people from provincial jurisdiction.

"However, through agreement between the federal and provincial governments, we in this industry are covered by the provincial Workmen's Compensation Act and it is in this regard that the following is submitted for consideration by the minister.

"Since the early '50s engines have been diesel powered, refrigeration for some equipment powered by diesel motors, as are cabooses and freight service on CP Rail. By rule, crews are required to make running inspections from the rear steps of the caboose and from cupola windows. While part of our inspection is visual, odour too is important in finding overheated journals.

"We are concerned that exposure to diesel fumes during our working time, plus residue from spill landing on rock ballast which includes the wear from composition brake shoes which we believe to be basically asbestos, are a definite health hazard. This fear is supported when an autopsy diagnosed

the cause of death of a railroad conductor as carcinoma of the stomach due to asbestos.

He refers to another concern he has outlined and they strongly urge that research directed into exhaust fumes and the rescrutinized by your ministry in an attempt to regulate general occupational hazards.

Dr. May: We did respond to that but can't remember exactly what was said. I check that out?

Mr. Mackenzie: Could you check that and let us know just exactly what status is?

A letter from the Service Employees International Union makes a comment. I wouldn't mind a comment from you. Although basically it is an appeal, as heard earlier from calling Mr. McGuig that health care workers be covered under the bill, "occupational health and safety which at the present time is one of our major concerns, comprises a significant portion of the ministry's budget.

"Our concern is twofold; first, that the proposed occupational health and safety bill be amended and passed incorporating the suggested reforms of your party and that of the Liberals; and, second, that hospital workers be included under this legislation.

"The present state in health and safety of hospitals today is, to say the least, unique. The Ontario Hospital Association is allowed to set their own standards and police their own legislation by means of the Public Hospitals Act. This act sets out certain minimum guidelines and the job of enforcement lies with respective hospital boards. I suggest that a serious conflict of interest exists here.

"A recent study entitled Employee Health Services, by Evelyn Kent, which included a survey of the major downtown Toronto hospitals shows that some of these institutions are not even meeting these standards. Moreover, she points out that some of the hospital boards are not even familiar with the Public Hospitals Act.

"The seriousness of the situation is exemplified by Mrs. Kent when her data shows that only three of these hospitals have a formal policy concerning the moving of pregnant employees to safer working conditions. Many other examples of similar hazards are forthcoming from our members. If this state of affairs exists in these hospitals, you can well imagine the conditions that must exist in the smaller institutions in outlying areas."

The final paragraph I want to read here although they go into a number of things says:

"One of the arguments put forth by the Ontario Hospital Association as reason for excluding hospital workers from being covered by Bill 70 is that if the workers are given the right to refuse work that is potentially hazardous, then in fact very little work will be performed.

We dispute this argument. The number of grievances that arise in other industries such as construction, for example, on this basis is by no means excessive and there is no reason to believe the health care industry would be any different."

He goes on to make additional comments along this line, but I think the information we had on the extent of misuse or the lack of misuse is another indication that these workers have darned good reason to want to be included under the legislation and I would insist that is going to be part of your thinking in terms of legislation.

Hon. Mr. Elgie: Thank you, Mr. Mackenzie.

Mr. Mackenzie: I would also hope you could consider police and firemen while you are now obviously going to include the hospital workers under the bill.

Hon. Mr. Elgie: I haven't said a thing.

[45]

Mr. Mackenzie: I have a final point I want to raise with you. I simply would like to know if we could have a brief explanation as to how the foul-up of the review of Dr. Gibson's study at Dofasco occurred, and if the minister can tell us if he understands how that particular situation developed? Could he comment on how we could have got such a obvious snafu, if you like?

Hon. Mr. Elgie: May I ask Dr. May to review how that mixup occurred? I'll add to it, I may.

Dr. May: The Workmen's Compensation Board sent us a copy of this and asked for comments. This was sent to Dr. Fitch, who had already received a copy of the report from Dr. Gibson, Dr. Fitch, together with Dr. Muller, had been involved in the study itself.

Some time after that, about six weeks later, we received another letter from the Workmen's Compensation Board, saying they had now studied this report and had some specific questions they would like answered. This was sent to the group that was looking into studies. Somewhere it didn't, I think, generate the impression of any particular urgency.

Studies were planned, and it was suggested that because of some of the possible inadequacies in the material it would be necessary to find other foundries in which parallel studies might be made. This was discussed

with the Canadian Foundries Association. They agreed to get some other foundries to co-operate, if such studies were designed and found necessary.

At that point, the only suggestion I have to offer is that this was a time of some considerable turmoil in the occupational health and safety division which was just being put together. The branches were scattered over Toronto. The health studies branch, at about the point in time when it received this request, was in the process of moving from Overlea Boulevard to 400 University Avenue. I think it is probably in the course of that move that somehow the papers were misplaced and didn't come to light again until some time later.

Mr. Mackenzie: It was a little difficult to accept during the time that the various reports were coming out because there obviously seemed to be a fair difference of opinion, at least in the news comments, between what you had sent and what was supposedly received. I am still concerned with the year that has gone by while this confusion existed, if I can use the word "confusion," which I think is rather mild for it, quite frankly. What assurance do we have that we are not going to run into a situation like this again? What steps have you taken to be sure that we will not have a foul-up?

Hon. Mr. Elgie: We have had meetings with occupational health and safety and with the board. In January, we plan to meet again to go over the whole procedure that is going to be followed each time there is any request for a review, and to discuss what sort of reviews our division can do at the present time and what ones will have to be farmed out on a contract basis to individuals in that area with special interest or special knowledge. I can assure you that it is a topic that has been before us on many occasions and that we will do our utmost to see it doesn't happen again.

Mr. Mackenzie: Are you satisfied that you have traced all you are likely to be able to at the moment of the lung cancer victims from either the coke ovens or the foundries, particularly those operations that seem to have a high risk within the foundry operation?

Hon. Mr. Elgie: I indicated to you in the House the foundry cases we are aware of. I asked the board specifically for the information. To my knowledge, there is no other way of finding any other individuals. Dr. May, do you know of any foundry workers who may have been overlooked, if there are any?

Dr. May: At the current time, our only source of information is the Workmen's Compensation Board.

Mr. Mackenzie: How about the coke oven workers? Are you satisfied that you have traced them down?

Dr. May: The same applies to those. The Workmen's Compensation Board is our source of information on these.

Mr. Mackenzie: Have you any idea how many claims from the coke oven workers that are still not resolved are before the board right now?

Dr. May: No.

Hon. Mr. Elgie: I don't know that. If you wish me to get it, I'll be glad to. Would you like that?

Mr. Mackenzie: I wouldn't mind that information.

Mr. Chairman: Mr. O'Neil?

Mr. O'Neil: We only have a few more questions. Looking at the figures on page R111 for special studies and services, under item 7 of vote 2304, I notice that the costs there have escalated from around \$202,000 to \$2,411,900. I wonder if the minister or some of his staff could give us an explanation.

Dr. May: One large element in this is the special studies which have to be carried out on behalf of the Ministry of the Environment and some studies being carried out in the Ministry of Health. I think \$500,000 was added in this year's budget for those special studies. One of these related to a Ministry of the Environment activity, the joint Great Lakes study being carried out by the special studies group, which has the expertise and has the laboratory expertise as well.

Mr. O'Neil: In other words, you would commission them to do this study and pay them for it?

Dr. May: No, it's being done in part by our own staff. Dr. Fitch can elaborate on this.

Dr. Fitch: If I understand correctly, what you're commenting on is the big difference in the budget.

Mr. O'Neil: Right.

Dr. Fitch: The reason for that is that the smaller budget is shown in the year in which the branch was created. We were originally one arm of the occupational health branch; since we were split off towards the end of the year, there was only a small amount of money allotted to us to finish off about the last three months of the year. The budgeting for the two branches was all done together

because it had been set up as one budget in the previous year. In 1976-77 I think \$320,000 is shown there—

Mr. O'Neil: For which period?

Dr. Fitch: In 1976-77.

Mr. O'Neil: It's \$202,000.

Dr. Fitch: Yes, \$202,000. That's all that was allotted in the name of the special studies and services branch, which had just been created at that time. In the following year, 1977-78, which I think is probably shown—

Mr. O'Neil: It's about \$1.6 million that you show.

Dr. Fitch: That is our current budget for a group of about 63 people operating a very highly technical laboratory in the X-ray and radiation fields.

Mr. O'Neil: For supplies and equipment there, you have a budget of approximately \$600,000; you're talking about equipment of the kind you just mentioned?

Dr. Fitch: Yes.

Mr. O'Neil: Also, under item 6 of vote 2304, the budget for salaries and wages is \$2,353,300. How many people are we talking about in that occupational health section, when you have more than \$2 million in salaries and wages?

Dr. May: This is the occupational health branch and, as Dr. Fitch has just said, initially at the beginning of 1977 there was an occupational health protection branch which was part of the Ministry of Health. When this came over to the Ministry of Labour, it was separated into two activities, the occupational health branch—which is the one you're just referred to—and the special studies and services branch.

The bulk of the increased complement we obtained in the initial stages went into this group to increase the number of hygienists and technicians.

Mr. O'Neil: Could you give us some idea of how many employees you're talking about when there is more than \$2 million for salaries and wages?

Dr. Fitch: There are 135 employees.

Hon. Mr. Elgie: That's up 26 from the year before.

Mr. O'Neil: That is a lot of money there, isn't it? That is a pretty good salary.

Dr. May: The type of people we are looking for is extremely scarce. To get many of these people we have to compete with industry.

Mr. O'Neil: What would you say would an average salary that some of these people would be making?

Dr. May: It depends on whether you are talking about physicians or hygienists and technicians. It would average out somewhere around \$25,000.

Hon. Mr. Elgie: The average of 26 employees for the difference over the previous year comes to \$23,000.

Mr. Mackenzie: The Labour minister wouldn't argue with those salaries, would he?

Hon. Mr. Elgie: Would you?

Mr. Mackenzie: No.

Mr. Chairman: Do you have any further questions, Mr. O'Neil?

Mr. O'Neil: That's fine.

Mr. Chairman: Thank you very much. I'd like to remind the members of the committee that we have spent almost five hours on vote 2304.

Mr. Mackenzie: It's over half the budget.

An hon. member: It's very important.

Mr. Chairman: That is correct, but I must remind you we are running out of time. We had to defer vote 2303 under women's program to accommodate Ms. Bryden and—

An hon. member: Call the vote.

Mr. Chairman: Call the vote on 2304?

All in favour?

Vote 2304 agreed to.

Mr. Mackenzie: See the time you were wasting, Mr. Chairman?

Mr. Chairman: I wasn't wasting time, I'm busy, I'm just sitting here guiding you people, trying to.

Now we shall go back to vote 2303, women's program. Mr. Bounsall, did you want to make some comment on vote 2303?

Mr. Bounsall: I defer to Ms. Bryden.

Ms. Bryden: Mr. Chairman, are we going to deal with the two votes together?

Mr. Chairman: Yes. There are only two votes on that vote, so no problem.

On vote 2303, women's program; item 1, women crown employees office; item 2, women's bureau:

Ms. Bryden: Mr. Chairman, I saved most of my comments on this subject for this vote, even though—

Mr. Chairman: We saved our time for you, too, Ms. Bryden, on this vote.

Ms. Bryden: —we were on the subject of equal opportunity for women at considerable length earlier. I will try not to cover the

same ground that was covered by my colleagues.

Mr. Chairman: You will try to be brief, Ms. Bryden, I hope.

Ms. Bryden: I think it is a very important subject and I don't think we can pass it off too quickly. I do welcome the new minister and his interest in this subject which he showed in the earlier debate. I think he is open-minded on the subject of equal opportunity and improved labour legislation. Certainly his forthright rejection of right-to-work legislation, which has nothing to do with women, but which is definitely anti-labour legislation, pleased me.

Mr. Mackenzie: He's not a closet feminist.

Ms. Bryden: He has also shown considerable interest in equal opportunity for all disadvantaged groups, immigrant women, handicapped, and women in general, who are the largest disadvantaged group in this area.

But I would like to point out that we do have a tremendously long way to go, and that is why I think we should spend a little time on it. Women's earnings are still overall about 56 per cent of men's earnings, and while there has been a slight improvement in the public sector, there has been the reverse of an improvement in the private sector. There is still a lot of work to be done before we have anything approaching equal opportunity.

[10:00]

We know of course some of the reasons for this: the continuation of sex stereotyping in jobs, the continuation of female job ghettos where women are largely concentrated, and the need to change attitudes, both of men and of women. Women need to strengthen their self-appreciation, their knowledge so they can go into other employment fields. We need to remove barriers to entry and barriers to training. I see the women's bureau as an engine for change.

I think we need a women's bureau very badly to work towards this goal of equal opportunity. I see it as having three functions: Firstly, ending the sex stereotyping and breaking down the barriers and the segregation that exist right now. Secondly, engaging in education and information as a clearing house on women's issues and providing support services and counselling for individuals who are either discriminated against or who wish to change their employment, their occupation, or re-enter the labour force. Thirdly, changing attitudes, developing new concepts and particularly the concept of equal pay for work of equal value.

My first question, Mr. Minister, since this in my opinion is such an important bureau, is why the dollar increase is only five per cent when the overall ministry increase is about eight per cent?

Hon. Mr. Elgie: John, could you respond to that? Do you know the answer to that question?

Mr. Morgan: No, not offhand I don't.

Ms. Burak: Is that the women's bureau?

Ms. Bryden: That's the total women's programs.

Hon. Mr. Elgie: That covers the women's bureau also. Would you care to respond to that, please? If you have any answers, would you kindly come up to the microphone.

Does anyone have the answer to that with him tonight? If not, Ms. Bryden, we'll have to arrange to get that. I'll get that answer for you.

Mr. Armstrong: I have a partial answer to that. You may remember in last year's estimates debates, Ms. Bryden, there was a question concerning the continuation or otherwise of the office of the executive co-ordinator. Since those debates the decision was made to eliminate that office, which as the name implies was essentially established to co-ordinate the two programs. The funds that were assigned to that office were deployed in the two operating programs in accordance with the suggestion made by you and others that that would be a more productive way of spending funds.

So of the five positions, one went to the women crown employees office and one went to the women's bureau. The total funds, re-deployed to those two programs was \$90,000, including salaries and other direct operating expenses. That may account in part for the disparity between the five per cent and eight per cent figure you talk about.

Ms. Bryden: Can you tell us what the complement of the women's programs is now and what it was last year? How many people are involved?

Mr. Armstrong: Yes. Perhaps we could get each of the directors to talk about the specific complement in their areas.

Ms. Burak: In the women crown employees office we have a complement of six currently. We do have some additional moneys which we hope to use very soon to fill the seventh position, the one which was given to us at the start of the fiscal year.

Ms. Bryden: How many did you have last year?

Ms. Burak: We had six before and we will have seven now.

Ms. Bryden: Six in the previous fiscal year and you will have seven in this one?

Ms. Burak: Right.

Ms. Bryden: And how many does women's bureau, itself have?

Ms. Clarke: We now have a complement of 17 in the women's bureau. That is increase of four.

Ms. Bryden: You had 13 last year.

Ms. Clarke: That's right.

Ms. Bryden: We had about 19 last year and we're up to 23 this year. It will be as soon as that new position is established. Is that correct?

Ms. Clarke: Yes.

Ms. Bryden: I don't know how you expect that three-fold job that I mentioned be done with 24 people and only an increase of five over last year. It seems to me it's a very understaffed program and that it's a tremendous job to do.

Mr. Bounsall: Double the staff.

Hon. Mr. Elgie: Today or yesterday? courage, I guess. I certainly would have voice my support for the women's programs. I'm sure Ms. Clarke can elaborate on another new initiative in the women's area that are undertaking this year, a women's advisory council on equal opportunity. Ms. Clarke, what is the status of that advisory group?

Ms. Clarke: We have now developed objectives of an advisory council. Basically what we are trying to do is to bring in the representatives of labour and three representatives of management to sit on the advisory council to disseminate more information that we can with our resources and also to provide advice to us in terms of how they see the problems in the work place, both from the labour side and the management side, and to get the two groups working together on some of the problems.

This is something we find in our companies. Sometimes there is a reluctance to work together in solving the particular problems of women in the work place. We are hoping that through this council we can begin to address some of those and also that it will disseminate the information through a much broader area and that they will gain some expertise that we hope they will share.

Ms. Bryden: Will any of them be full-time? How will they be selected?

Ms. Clarke: No. We're working on the selection process now. It's very difficult to say just who those people will be at this time. I would hope within the next month that we will at least have selected the

people we would like to have on the council. We would like it to be as representative as possible. There will only be six members, it's going to be difficult to get, particularly on the labour side, a really representative picture. I think we should have those names within a month and perhaps have a meeting within a couple of months.

Ms. Bryden: Can you indicate to us what criteria you are going to use to select those people?

Ms. Clarke: What we are suggesting is that in the labour representation we have the non-public sector union representative, the CUPE representative and one teachers' federation representative. We're looking there not just at labour balance but at where women are in the work force and where are the greatest possibilities for accomplishment. As far as management is concerned, employer representation, we would like two private sector representatives and one public sector representative. That might be someone from a municipality being representative of the public sector.

Ms. Bryden: Are you accepting nominations from organizations to provide you with a panel from which to select people, or are you just searching yourself?

Ms. Clarke: No, but we'd certainly listen to any suggestions.

Mr. Bounsall: May I ask a supplementary question? Because one of the tasks that you're trying to do with this advisory committee into being is to spread the information more within our communities, presumably then you're not necessarily fixed at six representatives. If one of their jobs is to learn what they can learn from your activities, and go out and spread the information there, could you take more than six? Why are you fixed on six?

Ms. Clarke: I think partly because it's a small program and we want a good working group. If you get too large a group, I think this can work against a very good working relationship.

Mr. Bounsall: If 10 people were falling over themselves to be on your committee, would you not take them?

Ms. Clarke: We have considered six at this time, but I suppose we have some flexibility.

Mr. Chairman: Ms. Bryden, do you have any further questions?

Ms. Bryden: I still have some, yes, Mr. Chairman.

Mr. Chairman: Oh, good heavens.

Ms. Bryden: I would like to say that, while we were talking about the complement and

how small it is, I think the small staff has done a remarkable job in the diversity of its activities, its publications and its programs, but that doesn't mean we couldn't do a great deal more.

I would like to come back to the question of implementing the concept of equal pay for work of equal value. We did discuss this at some length earlier, but I have some additional points I would like to make.

As we know, the present legislation has gone through various stages, and the present wording for equal-pay law in Ontario is that the work must be substantially the same kind of work performed in the same establishment and which requires the same skill, effort and responsibility and which is performed under similar working conditions.

We know that a lot of women's groups have considered that this is much too narrow a definition, and certainly the number of cases where women have managed to win applications under that legislation is very small. We will discuss that when we get into the employment standards vote.

I think it was two years ago that the government did bring out a report on the question of the concept of equal pay for work of equal value. It was sort of the typical first-stage report of this government: no recommendations but lots of research. However, perhaps that was a necessary first step.

That was followed up by a conference in January 1978 to discuss the whole question of equal pay—equal opportunity. I hope the minister has read the publication that came out of the conference because there is a lot of very good information in that. For one thing, the conference came up with a definition of equal-value legislation; this was in the first presentation, which I think was by Marnie Clarke. It says:

"Equal-value legislation would enable comparison of pay rates between men and women working in dissimilar jobs where it can be shown that such jobs involve substantially the same skill, effort and responsibility and are performed under similar working conditions."

You can see that's a much broader definition than the present law; it doesn't confine it to one work place or the same establishment and, of course, it considers comparing dissimilar jobs.

Mr. Mackenzie: It might have solved the British American Bank Note situation.

Ms. Bryden: Yes. We know there are difficulties in implementing such a concept but unfortunately, at the time of this conference

this year, the director of the women's bureau had to report in her statement that no final policy decisions had been made by the Ontario government in this area. I think that was a factual statement at that time, and I am afraid it is still a factual statement. But the papers that were presented at that conference do give us a basis for moving ahead in this field.

Also, the federal government now has adopted the wording of "equal pay for work of equal value" in its new Human Rights Code and is beginning to try to see how it can be implemented. I think it's too early to say that they are finding it easy or difficult. We will have to monitor what's happening there.

I notice that the Ontario Status of Women Council has come out recently with a study on a particular method of developing this concept and quotes a speech by Mr. Davis in 1975, where he said he would consider guidelines for such legislation and for enforcing equal opportunity. So we do have a commitment from the Premier back in 1975.

[10:15]

I am not going to read this book to you, Mr. Chairman, but I would like to just quote two comments on it, by Mike Skolnik, an assistant director at OISE, whose conclusion in his paper on equal pay for work of equal value is a need to emphasize the seriousness of the problem rather than the certainty of the solution, that is the title of his paper, which stated at the end:

"It is unlikely that there will be significant progress in the direction of equal pay for work of equal value without strong government action including provision of adequate resources and possible legislation."

Then Dr. Mary Eberts, assistant professor in the faculty of law at the University of Toronto gave the final paper and concluded that:

"All of these proposals, of course, require one essential ingredient, the need for governments to become serious about the apparent commitment to equal pay and equal employment opportunity."

So we have two ringing challenges from that conference for the government to move ahead in this field. I admit it's not easy. We have to decide whether to proceed by the voluntary or the mandatory route, whether to use tax incentives for people who put in affirmative action programs or provide additional training opportunities for women or additional educational leave. I think that's one of the first decisions that has to be made. Personally, I think you need both, some

voluntary programs but also some mandatory programs. In the United States they have followed the mandatory route in equal opportunity for disadvantaged groups. Of course, our women's bureau is doing a great deal of work in affirmative action as well as the crown employees office.

A third area that must be explored is contract compliance. The Ontario Status of Women Council has produced a paper dated November 24, 1978, discussing how the U.C. has used contract compliance as a means of getting more affirmative action in industry which receives government contracts.

The Ontario Status of Women Council report on this recommends not only following the US pattern of applying it to government contracts but also to all bodies receiving public funds that they all should be required to engage in an affirmative action program as a condition of receiving their public funds. The Status of Women Council does recommend the pilot project in this area but doesn't go into any details. I'd like to ask the minister whether he's been in touch with the Status of Women Council or whether he's received their paper about these recommendations they have made in this field.

Hon. Mr. Elgie: I did receive their brief and I spoke to one of the ladies on that council. I can't remember her name offhand. We do have an appointment to meet and discuss the report.

Mr. Bounsall: Could I ask a supplementary of Ms. Clarke at this point?

Mr. Chairman: Sure.

Mr. Bounsall: As a women's bureau director, and perhaps the same applies to the director of the women crown employees office, you must get complaints coming directly to you, or examples where the present poor and inadequate legislation is not being lived up to. What sort of flexibility do you have, or what sort of freedom do you have, to follow those up yourself? I know it's under the Employment Standards Act. I know that under John Scott there is at the top at least a pretty effective bureau, but their field staff is somewhat depleted too. It needs more beefing up.

What freedom do you have to follow that up? Do you feel that with all the other things employment standards people have to do—this may be a loaded question—that something like the Saskatchewan model should be worked out where the substantially same pay or equal pay for work of equal value, or whatever advances we get in this field, could best be enforced through your office, even if the leg work investigation

ould still be done by an employment standards officer?

Ms. Clarke: On your first point, certainly we do get a lot of calls because one of the problems with equal pay legislation—and I could expect with equal value—is the fear of reprisals on the part of women. Therefore, they will often phone us to explain the situation and say: "What do you think? If I have a legitimate case, what are the pros and cons of filing a complaint? I am concerned about not getting further promotions if I do file a complaint."

We have sometimes given them the assurance that as far as possible the enforcement officers really try to protect the confidence of the complainant. The problem, however, is that often the situation is such that it is very easy for the employer to figure out who is making the complaint, particularly if you get up to more senior level jobs where you can't have a large group of women who can hold of stick together on a particular case.

Yes, we do get a lot of calls of that sort on a fairly regular basis. Many decide not to file, and we don't feel it is our business to tell them they should. We tell them what their rights are under the legislation, we offer them every support we can, and we have a very good working relationship with the employment standards branch. It is a fairly flexible kind of relationship that if we are concerned

about a particular case I can go and discuss it with the director of employment standards. We will try to see if there is any other possibility available.

As far as enforcement is concerned, I think what you are referring to is the Saskatchewan model where the women's programs there enforce equal pay and maternity leave legislation. That was a decision based on the fact that they felt the commitment, while strong obviously throughout all the enforcement branches, that there was a particular expertise available in women's programs. I believe they are the only jurisdiction where they are presently doing that.

Ms. Bryden: Could the minister indicate how he feels about the possibility of putting contract compliance in here, just to firms that supply goods and services as a start?

Hon. Mr. Elgie: You've mentioned many options that we have to review, and that is certainly one of them we will review, as I told you the other night.

Mr. Chairman: We have a vote up in the House. We have just been notified that there will be five minutes before the vote, so I think we had better adjourn until tomorrow morning at 10 o'clock. Do you have further questions for tomorrow morning?

Ms. Bryden: Yes, I do.

The committee adjourned at 10:24 p.m.

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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Labour



Second Session, 31st Parliament

Wednesday, December 6, 1978

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, DECEMBER 6, 1978

The committee met at 10:10 a.m.

ESTIMATES, MINISTRY OF LABOUR (continued)

On vote 2303, women's program:

Ms. Bryden: Mr. Chairman, on a procedural matter I would like to report that Murray Gaunt will not be able to be here at 1:30 for the discussion we had scheduled on the industrial waste interim report. He is to be in Ottawa with another committee today. It's been suggested we reschedule discussion of that report until 7:30 on Thursday before we meet on the estimates at 8, if that's agreeable to the committee. They should all be notified. It's on the record as a ratification and perhaps the clerk should notify people to that effect.

Mr. Chairman: Yes, we'll do that, Ms. Bryden. We'll have the clerk notify the rest of the members of the committee of the meeting tomorrow night at 7:30.

Hon. Mr. Elgie: Mr. Chairman, if I could just make a point of order, could I have some understanding about whether we're going to be having estimates tomorrow night because I have some other commitment I'll have to cancel if this ministry will still be involved in estimates.

Mr. Chairman: Mr. Minister, it's rather difficult for myself to make any final decision on this. We still have vote 2303, vote 2305 and 2306 and 2307 to complete. It depends on the members of the committee as to how far we will progress this morning. Would it be in order perhaps if we're interrupted by 12:30, to continue on at 2 this afternoon?

Mr. Mackenzie: I think we should reach some agreement that we do finish today. There are only five hours and something allowed and it doesn't make sense to come back tomorrow. I would prefer that we adjourn at 12:30 and come back maybe at 1:30 rather than 2, if you agree, and stay until we finish the five hours.

Mr. Chairman: Is that satisfactory with the rest of the members of the committee?

Hon. Mr. Elgie: It's fine with me.

Ms. Bryden: Mr. Chairman, I just have two or three more questions on the women's bureau and then one or two on the women crown employees office but I don't think it will take too long.

Since we were discussing equal pay for work of equal value last night, I would like to commend to the minister's attention Mr. Bounsall's private member's Bill 178, which is a proposed amendment to the Employment Standards Act that would change the present equal pay clause into a clause for equal pay for work of equal value in that act. It will be debated sometime in private members' hour, of course, but if the minister should choose to bring it in as a government bill it would naturally go through much faster. At any rate, I would ask him to study it.

Hon. Mr. Elgie: I just may say I appreciate your comments last night that you acknowledge, as I do, that it's a difficult area. We are trying to monitor the success the federal government has in its endeavours. There was a speech by Gordon Fairweather in the past two months indicating they were continuing to have some problems with definitions and so forth. It's not an easy problem and you acknowledge that, but it's something we're not going to stop reviewing and monitoring.

Ms. Bryden: I'd like to ask how much money is being spent on the affirmative action program within the bureau this year, as compared to last year.

Ms. Clarke: I have the budget here for 1978-1979. I don't have it for the previous year, but I would estimate it is slightly higher this year as compared to last year. I can get you last year's figures but I don't have them. I have them for this year. As I think I've said before, the program is very much integrated into the rest of the bureau so it is very difficult to say arbitrarily we spend that much on that program, because a lot of the support services and so on are also serving other areas. But for 1978-1979 we are estimating \$148,000 on that program. That's for four staff; three consultants and one support staff, and then the publications and so on they get involved in.

[10:15]

Ms. Bryden: I agree it is very hard to measure in dollars and cents what that \$148,000 buys, but I think the program is very worthwhile and it does need expanding. No doubt Ms. Clarke would agree that the number of industries a staff of four can reach is quite limited, as well as areas in the public sector.

I noticed that you were planning to deal with the boards of education on affirmative action programs. You had a research project on how to do that. Have you actually been in contact with the boards of education?

Ms. Clarke: Yes. We have begun that work, and are meeting with a fair amount of positive reaction. It is very difficult to assess at this point how much they are going to do. One of the consultants had a very successful meeting in Brant county and felt that the reaction was good. The board did pass a motion that it would move to investigate a program and work on an ongoing basis with the bureau. We were very pleased with that.

Again, if one board starts to respond, we find others start calling us. We are hopeful that that will also happen. We have also made a pretty strong initiative with universities where there are a lot of problems, particularly in the staff area.

Ms. Bryden: So those will both be ongoing targets of your program in the coming year.

Ms. Clarke: That's right.

Ms. Bryden: Have you started work on developing non-sexist job classification guidelines? I think part of the key to implementing equal pay for work of equal value is to develop job classification systems that are not sex oriented or sex stereotyped. A lot of unions and managements sit down and work those out together, but I think they need some guidelines showing how these can be nonstereotyped.

Ms. Clarke: This is one of the areas we are working on now. One of my staff is compiling a collection of material in this field—any of the latest books, articles, and so on.

We have been in touch with the Equal Employment Opportunities Commission who are examining job evaluation systems to see if they can find out what makes a good job evaluation system in terms of it being unbiased. They are having problems, we are told, with even some of the major job evaluation schemes which they are finding still have some built-in biases. So you have to go back to the whole question of looking at the whole job structure and analysing every job again. How you do that without bias is very difficult.

I have spoken with Keith Davey of CUI and apparently he too is very concerned about this whole question of perpetuating inequities if we start applying job evaluation schemes and move to make it mandatory something of that sort. That is the problem. We also have been in touch with Treasury Board federally and with the human rights commission federally who are also working on the problem. So we are putting together a file on that.

I am hoping that within the next year we can come up with something that can be distributed to employers that we are working with in terms of at least some basics to look at in their job evaluation plans. Some of them have glaring problems. Maybe at least we can start to work at guidelines that will go at the major problems. For example, there is the problem of having a job evaluation scheme in the factory shop and then a job evaluation scheme in the office. Guess which is at the lower end? That is the sort of thing at least we can begin to address.

We are very aware of it, it is a difficult area, and there doesn't seem to be a perfect scheme at this point. I agree with you, the best schemes we have been able to find are the ones where management and labour sit down and work out a lot of that together. But it means you have got to have aware people on both sides.

Ms. Bryden: Yes. Dr. Mary Eberts in her paper at the conference on equal pay and equal opportunity suggested that one of the major approaches for getting equal pay for work of equal value is the class approach—in other words, to eliminate the job ghetto, such as the whole hospital field where in effect it is premised on low-paid female help in a lot of cases. Until you overcome that particular kind of subsidization of the public through low-paid female help you are going to have large numbers of women in these areas where they really don't get what you might call equal pay for work of equal value because society undervalues it and the government goes along with it in its hospital grants. That is a major approach that your ministry cannot necessarily take, but perhaps the government as a whole can consider this.

Hon. Mr. Elgie: I think I have responded about our interest in the concept of equal pay, and I thank you for your other comments regarding the low-paid women subsidizing the public area.

Ms. Bryden: On the women crown employees office, I noticed that the budget allotment is almost flat for the women crown

employees—\$204,000 last year; \$208,000 this year—which doesn't seem to even allow for inflation or salary increases of any substance. I'd like to know how many women's advisers we now have this year and how it compares with last year.

Ms. Burak: Ms. Bryden, on the point of your estimates, in the printed estimates this year it looks as if we didn't have an increase because, for accounting purposes, it was treated as an in-1977-78 in-year expenditure, but if you look to the previous year's estimates book you will see that our budget was \$22,000. So we have actually gone from \$22,000 to \$208,000 and that represents the increase we received from the executive coordinator's office.

You asked about the women's advisers. Within the 23 line ministries, there are 25 women's advisers. Eleven are full-time and 14 are part-time. That is slightly high because the Ministry of Northern Affairs has three part-time advisers, one in each of its regions. There are also 16 full-time program assistants, or assistant women's advisers, and 14 part-time assistants. In addition to that, the vast majority of them receive part-time secretarial support but there are four full-time secretary assistants. So it is a total staff throughout the ministries of 68.

Ms. Bryden: How does that compare with last year?

Ms. Burak: I believe it is just about steady. In some ministries it went down a bit, but in other ministries it went up a bit. I can't say that for you if you like.

Mr. Bounsall: Supplementary on that: Is there a full-time women's adviser in each ministry?

Ms. Burak: No, out of the 23 line ministries only 11 are full-time, 14 are part-time. It tends to work out that full-time women's advisers would be in the larger ministries and in some of the smaller ministries there are part-time advisers.

Mr. Bounsall: Are you satisfied that the part-time women's advisers are adequate in those smaller ministries? It seems to me there could well be some more emphasis placed on those ministries, albeit how small, getting full-time women's advisers. The Ministry of Energy is rather small, I will admit that, but it is the only one that strikes me as being that small.

Ms. Burak: In fact, some of the part-time advisers, and I can do up a chart to show you this, have full-time backup, so in some cases it is not as bad as it looks. I can tell you that in those ministries where we look at

their plans and we feel perhaps enough is not being done, I bring this to the deputy minister's attention. We have had some indication in those few cases where we think there should be improvement next year that there is a commitment to improve the resources, so it is a matter of our looking at the plans and looking at what they have accomplished to date. Some ministries have got started very early and have accomplished a fair bit, so it all depends on the status they are at and the number of women in the ministry.

Mr. Bounsall: I gather from your remarks that there are some that you are recommending or have spoken to the deputy minister about in terms of making that women's adviser a full-time position.

Ms. Burak: Not necessarily making the adviser full-time, but perhaps providing additional backup, a full-time assistant. It depends on the individual ministry.

Mr. Bounsall: By the backup, that full-time assistant you talk about, that does not mean secretarial backup, it means another full staff person working in the field of women's adviser.

Ms. Burak: That's right.

Mr. Bounsall: What's the difference between a women's adviser and a non-secretarial backup?

Ms. Burak: The program assistants tend to be, if you will, women's advisers in training, almost. It is a more junior position; intermediate would perhaps be more appropriate.

Ms. Bryden: I noticed that the latest report of the women crown employees office, which is only 1976-77, does report that there has been very little progress in changing the ratio of women's salaries to men's salaries. It has gone up from 70 per cent to 72 per cent but there is still a large gap there.

It also reports that the overall occupational distribution of men and women in the public service has altered very little. In what they call "senior" positions, the program executive group, which comprises about 500 people, the number of women has gone up from 4.5 per cent of that to 4.7 per cent of that total, in other words about 24 women out of approximately 500 total. So there is still a very great imbalance in the public service between men and women.

I recognize with some of the higher positions that women aren't applying for them, and they are not technically qualified for some of the technical positions, although that is gradually changing. But it still shows

there is a great need for these affirmative action programs that the women's advisers carry on. I think we should maybe examine the ministries that don't have full-time advisers and see whether they are falling behind in affirmative action work by the fact that they don't have a full-time person. The next report, I hope, will show more progress, Mr. Minister.

I would like to ask both Ms. Clarke and Ms. Burak what is being done in the field of day care. We know that lack of day-care facilities is one of the major things that keep women out of the work force, or require them to take lower-paid jobs or part-time jobs and inhibit their opportunity to develop careers in the same way as men. What is the women's bureau, first of all, doing to try to promote more day care and more government assistance for subsidized day care?

Ms. Clarke: I certainly agree with you that it's a serious problem in our society to come to grips with. We have been trying to work more steadily in this field. We do supply a lot of information in this area. We have a fact sheet that is very widely distributed giving the ages of children, how they are cared for and so on, and all the information we can to provide backup. That's the first thing we do.

I have also been in direct consultation with Judge George Thomson and with the people of the children's services division. We have been working on a day-care policy for Ontario. That is at very preliminary stages and we are having discussions in terms of what is the best kind of day care, is there a best kind, and what are the alternatives. I am very encouraged that I have been welcomed by Judge Thomson to participate in that. I have now been to a couple of meetings and expect to be called to several more.

I also investigated a question that Mr. Mackenzie asked last year about form seven, which was a form he felt was unduly complex and perhaps humiliating. Two things are happening there. One is that form seven is being revised; but secondly, under section 19 of Bill 120, which is a bill that according to my latest information has not passed third reading as yet, there is an allowance now for other people to file the forms for people. That is, the day-care supervisor or teacher could actually take the form and file it for a family or for a sole support mother or whatever so that she would not have to go through that kind of experience herself. I think that's some improvement. I haven't seen the revised form seven but I think it will be interesting to see what they can come

up with that will be satisfactory to everyone.

[10:30]

Those are some of the things we are trying to do. As you are well aware, we are dealing with very complex emotions around day care. I was really pleased with the children's services division and with their attitudes and their concerns in this field. I think they are a remarkably good group. They are also facing the kind of hostility I certainly meet when I'm on speaking engagements in terms of the public asking "Why should I be taking care of other people's children?" and so on. I am sure you are well aware of those attitudes too and we are still having to cope with that.

Ms. Bryden: With the present economic situation, there are a great many women who have to work in order to meet the mortgage payments and the high cost of living. If you don't have adequate day care for them, you are going to have their children in inadequate facilities, with neighbours who are perhaps untrained and don't have the facilities. Mr. Minister, do you not think the government should be increasing its assistance to day care, particularly to subsidized day care in order to remove this barrier a lot of women face when they go out to work which often forces them to put their children in inadequate services?

Hon. Mr. Elgie: That's a question that can be put to Mr. Norton at his estimates, Ms. Bryden, since it comes within his ministry and not this one.

Ms. Bryden: It's partly a Treasury decision that the cabinet perhaps decides—

Hon. Mr. Elgie: Ms. Clarke has indicated the liaison that takes place with the day-care services division of ComSoc and our interest in communicating our views with regard to the needs of women and I think I can't go beyond that.

Ms. Bryden: Except in your capacity in the cabinet to persuade the Treasurer (Mr. F. S. Miller) to put more money into day-care grants which have been drastically cut back.

Hon. Mr. Elgie: I would be happy to get money from the Treasurer for many things, Ms. Bryden, and that would be one of them.

Mr. Mackenzie: May I ask a supplementary on this? I am not sure, Mr. Minister, with all respect, that we can accept the comments you have just made, and I say that seriously. It gets a little frustrating. The efforts of the women's section of your ministry to make some corrections and some changes are commendable but I can remember some of the

arguments of a year ago when we argued, among a number of things, that while the percentage gap may have narrowed slightly, the dollar gap between men and women was widening. There now may have been a slight improvement—

Ms. Bryden: Only in the public sector, but not in the private. It's going backwards.

Mr. Mackenzie: —of about two per cent but it's actually reversing in the private sector. The working conditions and the wages that are paid are a responsibility, to some extent, of the labour ministry. One of the problems is really not narrowing the gap at all is the fact that there are not proper day-care facilities available that might allow some women to bid on some of the better jobs and look at it more seriously in terms of a career or the necessity of a living wage. That does have a direct reflection on your ministry.

I grant you that day-care centres per se may be a responsibility of ComSoc but it seems to me that because it does have an effect on a vital component of the labour force in this province, there's an obligation on the Minister of Labour to have some real input into whether or not we are going to have the kind of facilities that allow women workers to get ahead. With all respect, it can't just be fobbed off on ComSoc. You have to have some input into it; you have to have a voice in it and it has got to be a fairly strong one, because there is a direct relationship to the success of one of the parts of your ministry.

Hon. Mr. Elgie: I value your comments and can only restate what I said before that Ms. Clarke does have an active role in liaising with the children's day-care service portion of ComSoc and when the issue is raised at cabinet, I am certainly involved in those discussions.

Mr. Bounsall: As a supplementary to that, along the same line on day care, if I could—

Hon. Mr. Elgie: You don't want to get into workfare do you, Bob?

Mr. Mackenzie: I think anybody would agree with workfare if they paid a decent wage.

Mr. Bounsall: What, if anything, is being done in affirmative action with municipalities? I say this because of the tie-in with day care. Those are the ones that have the municipally operated day-care centres. The 80-20 formula which they get from the Ministry of Community and Social Services, can also buy places in private day-care centres so that the municipal government's attitudes towards women in day care and women in the work

force are important as they affect their perceived need for providing day care.

What sort of affirmative action is going on with municipalities across Ontario? If there were an enhanced view of women in the work force from the municipalities' point of view as employers they might well better understand the need for day care and do some of the things that aren't being done in some of the centres, such as making transportation available and so on, which they don't do or do with great reluctance in some municipalities.

Ms. Clarke: We have been in contact now with six municipalities. This is another area that we're trying to get to as quickly as we can. I should say we have now covered about one-third of the major employers in Ontario but only six municipal governments.

Day care is always part of the consultant's job when he or she is discussing a program with any employer. One of the issues is the whole question of equal pay and looking at their job scheme. Another issue, of course, among others, is day care: "Can you really expect your staff to operate effectively if it's a constant worry?" That's one of the things that we often have reported to us because of either the inadequacy of the day care or the problems of transportation to get to a day-care centre and then to the factory or whatever the situation is. So, yes, we have discussed it, and I'm sure it would have been in the discussions by consultants with municipalities.

We urge that as part of the package, that you can't really have equal opportunities if you have the sole responsibility for the children and no proper care.

Mr. Bounsall: What are your plans to expand in the contact of municipalities?

Ms. Clarke: As quickly as we can.

Mr. Mackenzie: Can I ask a further question on this? I think we raised it a year ago as well. Shortly before that, we had finished a brief trip to Europe on the highway safety committee. One of the things that impressed me tremendously—I know it impressed every member of the committee—was the day-care centres in conjunction with the municipal offices and the factories in Sweden. They were right there. They were not an expensive operation but there were facilities and staff. It was sort of amazing to visit a test centre or one of the government ministries and find a day-care centre operating right at the ministry or right at that particular plant. Has your group taken a look at all at things they're doing? That's the only example I can

quote, but that kind of an operation was impressive.

Ms. Clarke: Yes, I have seen that too in Europe, and it is impressive. One of the things we've discovered in surveys that have been done here in Ontario, though, is that most families seem to prefer community-based daycare so that they do not have to take their children on the subway, and so on, to work. I think it would be very exciting if we could make a breakthrough with one of the industries which would agree to provide that kind of service. As yet we have not. It's something we are working on.

Mr. Mackenzie: I suspect the reason they favour community-based centres, and I think that will be the case for a number of years to come—is that, in actual fact, we have so damn few day-care facilities that really mean anything in terms of working women in this province. We're not a world leader in this field by any means.

Ms. Clarke: It may very well tie in with the whole question of declining enrolment in the schools and the fact that there are now going to be empty spaces. This is one of the areas that I think is a possible avenue of hope in this field.

Ms. Bryden: I just wanted to ask Ms. Burak, do you think the crown employees you meet in the course of your work feel that the day-care facilities are adequate? Or do you feel that some of them, because of lack of facilities, are unable to accept promotions or even enter the public service?

Ms. Burak: As you know, Ms. Bryden, the government has a day-care counselling service, and we're getting some feedback from that. Some of the feedback we've got bears out what Marnie says, that people do seem to prefer local day-care services. But I can tell you that we conducted a survey of all women who took maternity leave in the public service during the fiscal year 1976-77; we are currently evaluating that, and that will form the basis of our future recommendations to the government.

We haven't really put our recommendations down on paper, and we are certainly keeping a very open mind. I think there are a variety of things that can be done, but we are looking at it.

Ms. Bryden: I'm sure you will probably find that a great many of them are just using local neighbourhood untrained services. So I think that is another area where the government must be moving, just for the sake of its own employees. If you want to have a good affirmative action program in the public service, you also have to have ade-

quate day care in the community—not necessarily in the government but in the community, and I don't think you can do or without the other.

Mr. McGuigan: I have recently been asked by our leader to take on the job of being critic for the status of women and human rights. You might think this is rather a strange role for a farmer from south-western Ontario.

An hon. member: A farmer is a jack of all trades.

Mr. McGuigan: I would like to give you a bit of my background and the reason I accepted this job. Having been brought up in the fruit and vegetable industry, which is a very labour-intensive industry and one which relies very heavily upon the work of wives and daughters and hired women, it is an area that I can readily identify with and one in which I rather relish the opportunities that are here for redressing some of the social problems that we have.

It was quite a revelation to me during the campaign, as I went from farm to farm—you will remember the last campaign was in May—to go to a great many farm homes and find there was no one home. It was in planting time, and the women out in the fields in many cases were on the transplanters. I am in an area where they grow tobacco, peppers and tomatoes; these are crops where a small plant actually is introduced into the field rather than seed. So a great many women were riding the transplanters.

Also a great many of them were driving the tractors; and today's modern tractor is quite a comfortable machine to ride. They have cabs on them and air-conditioning and stereo. Some of them even have radios so the farmer or the operator—

Hon. Mr. Elgie: Sounds pretty soft—not like the old roots of Ontario.

Mr. Bounsall: I thought the old tractors were the air-conditioned ones.

Mr. McGuigan: No, they are air-conditioned.

Hon. Mr. Elgie: Gee whiz.

An hon member: How much do they cost?

Mr. McGuigan: These things cost \$30,000, \$40,000, \$50,000 or \$60,000.

Hon. Mr. Elgie: Do they ever think of a pair of horses? They might do the job.

Mr. McGuigan: The tractors run up into 200 or 300 horsepower.

One of the results of this mechanization is that a man and wife, operating as a team—farmers have always operated as teams—can farm very large quantities of land, and these

lies are taking an increasing role in farm life. One of the injustices of the situation—I know it is not within your purview—is that an income tax a farmer cannot pay his wife salary for this work.

Mr. Bounsall: Those federal Liberals again.

Mr. McGuigan: Yes, it is the federal Liberals again.

Mr. Conway: Throw the scoundrels out.

Hon. Mr. Elgie: That really hurts doesn't it Sean?

[0:45]

Mr. McGuigan: We'll wait to see what happens. I just mention this as one of the inequities in the system. There are many more. Don't pretend at this point to be very well versed in the issues. I hope to meet with women's groups and learn more about it, but I just want to point out that from my background, I do have a good empathy with the women's situation.

I'd just like to make some notes that we've been able to arrive at by studying your estimates. There continues to be a large gap in salary distribution between the sexes in the Ontario government. I think it's already been pointed out that two-thirds or 67 per cent of women in the Ontario public service earn salary ranges from \$9,000 to \$12,999. Women comprise 38.8 per cent of the total employment in the Ontario public service, but they are under-represented in all salary ranges of \$3,000 and above. While 12 per cent of the men in the Ontario public service earn \$3,000 and over, only 1.7 per cent of women earn salaries in this range.

I guess I could interject at this point that another reason I'm concerned is I have a family of girls. Two of them are in professions now. I'm concerned about whether or not they can receive equal pay with men and I'm concerned, of course, about other women who are not in my family.

Occupational distribution of men and women has not improved since the last report, even though the affirmative action programs are in place in every ministry, but it's heartening to see many more women in 1976-77 and in 1975-76 were able to move into categories where they are now under-represented.

I note there were 130 breakthroughs in 1975-76 and 440 in 1976-77. You see, Mr. Minister, the women are on the march. While it's important that women be visible in leadership roles, it is paramount that women stuck in clerical and less remunerative jobs be given more opportunities to upgrade themselves through training and promotion.

I'd just like to say it's important for the Ontario government, which is one of the

largest employers, to have a high profile in these matters, but we question whether the women's bureau is seen as a very creditable advocate for reform. For instance, the bureau, along with the women crown employees office, hosted an equal pay-equal opportunity conference in January 1978. Unfortunately, the then Minister of Labour, Bette Stephenson, was not able to attend. Certainly, all efforts to demonstrate the government's commitment to equal opportunity for women suffered by the minister's failure to attend.

I would certainly expect our present minister, devoted as he seems to be in the first few weeks of his ministry to a very high profile as Labour minister, would not have that same performance. I'm sure he would be there. We asked why, if unforeseen circumstances prevented her attendance, a number of other ministers didn't attend.

We would ask you, what is the Minister of Labour doing to address three problems of employment inequities for women? These solutions are being put forth by the director of the ministry's women's bureau:

One, government contracts could be tendered to only those companies which have affirmative action programs.

Two, affirmative action plans would be identified as such, only if the plan included the training and promotion of competent women and the horizontal movement of female employees into a wider range of occupations within a company. In other words, we'll have a little more than tokenism. The allocation of tax rebates should be given to equal opportunity employers.

Finally, it's significant to note that last weekend's conference on the occupational health of working women concluded that two major areas for research should be on the subject of stress and the effects of manufacturing materials on the reproductive capacities of both men and women. We don't see any specific mention of research into these areas in the next vote under standards and programs or occupational health, so we would ask, is the ministry, through the women's bureau or elsewhere, conducting any research in these fields? If so, would you state exactly what is being done?

Mr. Bounsall: I want to say to the minister that we covered some of the affirmative action program and its problems when we talked about the affirmative action program and plans for the handicapped back at the initial vote in these estimates. Anything and everything was said back then about the affirmative action program for the handicapped applies equally in the whole field of women and it applies, I think, much more.

It's a particular problem at the moment because of the economic conditions. We're going to have to do a lot more work in the women's field on affirmative action and any other plans, contract compliance, or equal pay for work of equal value. Much more emphasis and thought must be given to initiating those in this particular economic climate.

Articles have been coming forth in the newspapers recently about the role of the women and their problems and how they're being downplayed and so on. There is virtually one article every couple of days.

The brief of the National Action Committee on the Status of Women to the federal Minister of Labour presented in the last week in November attacked the UIC changes and the assumptions made by the federal government. The UIC changes are based on a policy entirely relegating women to the role of secondary earners. The brief spoke out against that most forcibly. The assumptions were very clear, the way they defined a secondary earner as the one in the family where there is another earner who contributes a greater portion of the family income.

The policy approach, which pretends that women workers, especially married women are only marginally attached to the labour force, militates against any women and any programs one would have for women to equalize their status or equalize their pay. This was inherent in those UIC changes.

They also made changes in that UIC act with respect to part time work, requiring a minimum of 20 hours per week before you are a part-time worker and eligible for UIC. Twenty-two per cent of the women in the work force work only part time and a survey of those women revealed that 55 per cent of them worked part-time because they had no choice. They must make those earnings to contribute to the family income or they could not keep up with their financial circumstances.

It's this sort of thing that keeps coming out in the press. I think the Minister of Labour should not just be leaving it to the status of women groups to respond. He should be coming out very publicly at the time and saying, "This is detrimental to women." As spokesman and the minister charged with speaking on behalf of women and their rights in the province, you should be responding immediately to some of these changes.

There was again an article on women lawyers in the newspapers on November 27 saying how hard it is for women lawyers to get jobs, how much harder it is now than it was. Twice as many men as women are successful in getting jobs immediately after their bar examinations. A higher percentage of

women start with and wind up with much lower salaries.

Fifty-one per cent of women end up with small law firms, as opposed to 37 per cent men. It's very, very difficult for a woman to land a position with a large law firm. It's much harder for them to get articles and positions and to stay there. Forty per cent of men but only 18 per cent of women were able to return to full-time employment with the firm with which they articulated. There is clear discrimination in the law profession the hiring of women, let alone in the salary positions they are able to maintain.

It's the same old story: As things become economically tougher, it becomes particularly tough for women. Much more emphasis is going to have to be placed, in these tightened economic times, on the role of women, their opportunity to get jobs and the money they receive for those jobs.

I think the minister should be taking very immediate, responsive role to these articles which are coming out on behalf of raising the status of women and the attitude of employers in this community.

We have covered equal pay for work of equal value. I have a private member's bill in this area. I see that as one of the steps that needs to be taken. I gather that this bill has been kicked around by the ministry and the moment is not necessarily your top priority. I hope within a year or two, or in the coming year, it may well become one of your top priorities, irrespective of all the other problems that have been mentioned with respect to it.

We had one former Minister of Labour who finally said with respect to a discussion in estimates, "My God, it might take us fifty years from the time we implemented it before we had a program working adequately across the province." That's no adequate answer. If it's going to take five years to do it, let's start this year rather than five years from now and not achieve it until 10 years from now.

I see contract compliance as one way of making a start. My problem with contract compliance is that it again is not the final answer. It's a start.

All the firms which deal with the Ontario government are required to file their affirmative action programs and so on, but with staff of only 17 in the women's bureau have some concern that they are able to keep in contact with the number of firms with whom they are required to deal, or should be dealing, to see that those affirmative action plans are instituted and in fact carried out. They need some more staff than the

ave. Maybe Ms. Clarke could comment on staff requirements if you had contract compliance across Ontario.

The problem I see with contract compliance is that it hits only certain employers. You could extend it to those who supply those employers, but contract compliance still misses a large number of the private employers particularly in Ontario who have no business whatsoever with the government. I see contract compliance as a good first step, but certainly not the final answer to itself in achieving equal status and equality for the value of the work performed by women across this province.

[1:00]

Perhaps I should ask Ms. Clarke or the ministry what percentage of the work force is what percentage of women who are working, if you have these figures, would in fact be touched by contract compliance legislation. Mind you, in terms of reaching employers if we had contract compliance throughout it would be a much better position than we have at the moment; it still presents a percentage. I still argue for equal pay for work of equal value with whatever problems it involves or whatever time it takes. It might take up to five years to work out a proper valuation system, but would be interested in knowing what sort of percentage coverage of the work force and women in the work force would be reached by contract compliance.

I have one other question with respect to the women crown employees office. You gave us some figures with respect to the research vote we were on on women in various levels of government and how many were there. I don't think you mentioned how many women in Ontario were on the seniors list. Is that up or down from last year? And what progress is being made in having women in government recognized enough to reach that level?

Ms. Burak: The situation of women on the senior list or the senior compensation plan is not good. It is down from last year. Split between the ministries and the agencies, within the agencies there are three and within the ministries there is currently only one.

Mr. Bounsall: Is that because they have been promoted at great speed into the senior positions from the list that they were on, or is there quite a need for a lot of further work in this area in changes of attitude?

Ms. Burak: Because the numbers are so small I think we know what the shifts are. Some cases people shifted over to agencies.

In other cases women left the government. I think the problem with the senior list is that there are small numbers in the program executive series, which is the pool from which the senior executives might be drawn. As Ms. Bryden pointed out earlier from our annual report, in this fiscal year we had 24, we now have 27 women in the program executive series, so I think we won't in fact see a large turnaround in the senior levels in the near future. We've got to build up the pool of directors so that there are more people to compete for the senior jobs and then ultimately see some improvement in the senior compensation plan.

Mr. Bounsall: So at the moment we are one step forward and a couple of steps backwards as far as the senior list goes and there is not all that great an expansion in the executive training program you mentioned.

Ms. Burak: With the program executive series we have to keep in mind that between 1975 and 1978 over 60 of those positions were done away with. That means there are that many fewer men in those categories, but we actually, although very, very slightly, increased the number of women. Now, we're not saying that that's good enough, but it is a problem in that until we build up that base I don't think we'll make progress on the senior compensation plan.

Mr. Bounsall: Those positions that were done away with, were any of them occupied by women?

Ms. Burak: I don't know that. I don't know what the mix of attrition versus redundancy was. I think that can be found but I don't know what it is.

Mr. Bounsall: It would be interesting to find out and should be easily obtained. I would be interested in that information.

I would like to hear from Ms. Clarke if she or the ministry has figures on the people covered by the contract compliance legislation, which is at least the first tentative step which could be taken by this ministry that has any commitments now in this depressed economic situation to aid women in their endeavours.

Ms. Clarke: We don't as yet know the number of women that would be affected. We are presently looking at a research project which will tell us that. Of course it's a crucial fact that if not many women are going to be affected by this then obviously it's not a sensible route to take. But at the moment we don't have those figures.

Mr. Bounsall: It would be my feeling that you would probably get a higher percentage

of women in the work force, aided by a contract compliance than another program, simply because the employers left out the contract compliance are, let's say the big steel companies — Dofasco, Stelco — and the big mining companies which don't have that great a percentage of women in the work force and wouldn't be covered. I would suspect you may well be covering more women in the contract compliance, even though service industries would not be covered, by and large, by contract compliance.

Ms. Clarke: Which is a major sector for women.

Mr. Bounsall: Which is a major sector.

You're starting this research project; how long will that take? It concerns me that we're not getting legislative action and we're still dependent on your affirmative action in Ontario, which is fine if it works. If you have a well-informed management and a well-informed group of employees who have a commitment to make affirmative action work, that's fine; but what if you don't have that? You don't, to me, have any tools with which to make your affirmative action efforts stick, unless we give you from the ministry, through legislation, some other tools like contract compliance legislation, equal pay for work of equal value legislation.

Ms. Clarke: You may be interested that another project under way at the present time is a research evaluation of six of the companies with whom we made initial direct contact in the first few months of the program. In other words they were selected because we initiated the action, they did not come to us, which often happens. The latter case, of course, you expect more compliance with what you're suggesting. We will be looking at those six companies, the research branch will be doing this, to try to evaluate as much as possible the effect of the program on the women in the companies and to try to assess to some extent how helpful our service has been to them.

I think this is something else we have to know, because obviously if we can move without legislation—legislation is pretty unwieldy and usually has a lot of loopholes in it—so if we can move on a voluntary basis it's preferable. This study will at least give us some indication as to whether or not we're really getting action in that field.

Mr. Bounsall: When will the study be completed? You've got some very valid studies going on, studies which may show you that affirmative action, where you have to go out and sort of impose your views on

employers who haven't thought about it, the studies may well show that you do get all that far, which means that you need legislative action. On the other hand, if it shows that it is fairly successful, in spite of it being relatively easy for companies to set to agree with you and then not do a thing, but if it does seem to be working, it means you need a lot more staff to go out and get that affirmative action program working right across the province.

So one way or another, it's going to point to a certain direction: more staff for affirmative action now; you have only been able to contact six municipalities; you have a great input, not just in employment but in the day-care attitude. If affirmative action works then we should be doing a lot more work out there, and you should have the staff numbers appropriate to do it. On the other hand, if it isn't working out in those areas where you are trying to impose it, then you need the legislation.

How soon will we have an answer which will point the way, so we can get on with either the staff adequate to do the job on an affirmative action basis or the legislation that gives you some tools to do the job which should be done?

Mr. Mackenzie: Without the loopholes.

Ms. Clarke: We are expecting the evaluation study should be completed by the end of April, so that we will have some idea of how effective the service has been at the time.

Mr. Bounsall: If you moved into something like contract compliance, have you made any sort of guess as to what staff would be required to have the program work effectively?

Ms. Clarke: I think it would depend on what kind of resources were available. Certainly the experience in the United States—although they took a large chunk all at once, which I think is a mistake; they took on women, all the minorities, the handicapped. They set up very broad definitions in terms of who they were going to cover. I would suggest that would be one thing we could learn from if the government were to decide to move in this area.

It could start as a small program, I would think; but to be effective, as with any program, it has to have adequate resources, and that would have to be assessed based on how many government contracts there are and how many women it affects. At that point I would think we could sit down and say: "All right, how many people do we

eed, and what kind of qualifications, et cetera, in order to make this effective?"

Mr. Mackenzie: Excuse me for just a minute. What you are saying is that we should have some evaluation of the studies of the programs you're doing by the end of April; and at that point in time we should be able to ask questions as to what is the next step, what you are going to do to work on the evaluation you have received.

Ms. Clarke: Certainly I would see that part of my role would be to say this is what we conclude from the study; then it is up to the government to make decisions about what it wishes to do.

Hon. Mr. Elgie: Could I just respond to Mr. Bounsall and Mr. McGuigan, who unfortunately has left; but he has been replaced by a very able young man from Renfrew—

Mr. Conway: West. Mr. McGuigan indicated he had a farm group to meet with at 1 o'clock and wished to express his apologies.

Hon. Mr. Elgie: First of all, let's not be under any misapprehension that we don't all share the same desire to improve situations where there are deficiencies; that's a commitment I have and that the whole ministry has. I assure you that where funds are required, even in this time of restraint and economic difficulty, I'm still striving very hard to get whatever funds I can to meet the needs as we designate them in priority.

There's no doubt about our commitment to improve and to improve. We've initiated the affirmative action program for the disabled starting in September; I'm sure you'll agree we have a very able young woman directing it, and we have hopes for that obviously. I've also commented at some length on the whole question of equal opportunity.

When you discuss your bill in the House we would be interested to hear your comments, because so far the discussions have all related to equal pay for work of equal value between men and women but I'm sure the same situation applies between men and men in various types of industry, and between women and women in various settings. So I hope when your bill comes up that you'll discuss that as well because—

Mr. Bounsall: They should all be adequately—the schemes should be adequately evaluated.

Hon. Mr. Elgie: It's interesting that nobody's mentioned it at all, I hope it's not discriminatory when you're overlooking that.

Mr. Bounsall: It's assumed that is inherent in the program, that each position is valued

according to the value to the company irrespective of the sex of the person filling the position.

Hon. Mr. Elgie: You don't overlook very much in your discussions.

Mr. Bounsall: It's because you haven't had the long discussions over the years on this, Mr. Minister. The evaluation program evaluates, if the minister needs it spelled out, the value to the company or the employer of the specific job irrespective of who fills it. It's inherent in the program.

Hon. Mr. Elgie: Good; I hope that version of value is discussed when your bill comes up; I'll be interested in hearing the debate on it.

I quite agree with you, I think it goes without saying that we would all agree to the importance of women in the labour force. There are numerous figures around; if anyone thinks that they're marginal. I suggest to you there would be a collapse of many industries if women weren't in the labour force.

Mr. Bounsall: The reaction of the federal government at the moment is one of playing that down. What has been your response, publicly? You've got some work to do in public relations in this area, Mr. Minister.

Hon. Mr. Elgie: There's always work to do, but hopefully if there is a will to improve then we can all do it.

Mr. Bounsall: You'll look for the will.

Hon. Mr. Elgie: I look for your will too. You've asked what other comments I personally have regarding UIC. As you know, the majority of the UIC comments with regard to the federal proposals have come from the Minister of Community and Social Services (Mr. Norton). Mr. Mackenzie and I have had some correspondence about the question of UIC. I made it very clear at one conference I was at that the federal government must take recognition of depressed areas, no matter what province they were in, and not apply the same stringent rules. I was very pleased that Mr. Cullen acknowledged that need in a recent statement. I thank you for your comments.

Mr. Mackenzie: He still wouldn't reverse himself on the one program that was of some real use to some of the disadvantaged.

Mr. Chairman: Any further discussion on vote 2303, women's program.

[11:15]

Vote 2303 agreed to.

On vote 2305, employment standards program:

Hon. Mr. Elgie: Carried.

Mr. Chairman: Nice try, Mr. Minister.

Mr. Mackenzie: It may surprise you, Mr. Minister, but we don't intend to spend a long time on this. There are a number of things I would like to ask you about. Rather than any long coverage on my part, I would like to get your comment on some specific areas. I would like to start with the whole question of the minimum wage in Ontario and ask the minister: One, is he satisfied with the current level in the province? Two, can we expect any further changes in the not-too-distant future? Three, is he taking any look, specifically, at the problem created in terms of waiters and waitresses, the workers who are at a reduced level because of the tip factor?

Hon. Mr. Elgie: I'll ask Mr. Swartz to comment about other items; but just in a general way, as you know the minimum wage in this province goes up on January 1 to a new level of \$3. The whole issue is always under review; that is what brought about the previous minister's amendment that allowed this double jump in a one-year period. There is always a commitment to review the minimum wage in the light of economic circumstances.

Mr. Mackenzie: The double jump, I am sure you are aware, was because we were just about the lowest in Canada.

Hon. Mr. Elgie: The minimum wage always has to be looked at from a variety of circumstances, including the rest of Canada and including our neighbouring states with whom we are competing; none of which means that one should be satisfied with a minimum wage which isn't satisfactory, that is why it is something that is constantly under review.

There are studies coming out of Quebec, as you know, where they have a minimum wage higher than ours, that have raised some concern about the level of their minimum wage. We have to look at that information too; the Fortin study, I believe it is, out of Laval. That doesn't mean we can't and shouldn't and aren't continuing, as always, to look at it in the light of the needs of the people of Ontario.

You made a particular reference to the tip differential. I think we should just be clear that the tip differential applies only in situations where liquor is served, and you know that too. The reasons for that, I understand, although I don't profess to be an expert on it, is that tipping in that area has consistently been a very high source of income. It was for that reason the tip differential remains. Perhaps Mr. Swartz can comment about those items.

Mr. Swartz: Concerning the tip differential we are initiating a research project to collect and analyse relevant information to assess the impact and appropriateness of the lower minimum for workers in tip-differential occupations. It involves examining occupational wage rates, in terms of wages actually paid to the workers eligible for the lower rates, and collecting available information on the tip earnings of those workers. Of course it would also involve reviewing approaches used in other jurisdictions that have differentials for employees who receive tips.

We have information on other employees who have differentials for tipped employees and it does indicate pretty strongly that for most of those occupations the employees are frequently paid at above the minimum wage rate anyway. We are trying to verify this within the context of the Ontario employment situation for employees working in the tip-differential jobs. Our work on this will begin in 1979; we want to wait to see the impact of the increase of the minimum wage to \$3 on January 1. I expect we will have the results of this by early summer of next year, and that will allow us to review our policy concerning tipped workers.

In terms of the minimum wage in general, we consistently monitor minimum wage rates in all of the other provinces, and minimum wages in American jurisdictions as well. Our assessment has been used in the policy formulation process. The basic objective is to keep the Ontario minimum wage competitive with that in other jurisdiction and yet provide some incentive for employees.

Our former Minister of Labour (Miss Stephenson) last February asked us to examine the validity of the minimum wage in its general context as an overall social policy tool. We are now in the process of undertaking a thorough examination of the minimum wage. This involves reviewing development of minimum wages, minimum wage theory and all the empirical evidence concerning its impact.

We are doing this together with the Institute for Research on Public Policy, because we are doing joint research with other jurisdictions on this matter. The review of the evidence, and the impact of the evidence and the alternative structures and approaches for effecting minimum wage revisions used in various jurisdictions, will be completed during the first quarter of 1979. It is expected the material will be published shortly afterwards through the Institute for Research on Public Policy in Montreal.

The research branch itself is going to be conducting an econometric examination of

the historic and current impact of the Ontario minimum wage revisions. We expect to have this completed by late 1979. Because it involves collection of empirical data, we can't really get this thing rolling until after the 1979 increase is in effect.

Mr. Mackenzie: This is a difficult issue to deal with, Mr. Minister. There are times I have a feeling that a gut reaction is worth every bit as much as the studies we're talking about.

I want to cover three things with you. The first one is a letter our own Mr. Scott forwarded to him from Cyril Symes just a matter of weeks ago. I took the trouble to tell this young lady myself; let me read you the letter. It's a very simple letter sent to Mr. Symes, and of course it's not his responsibility as the federal member. This letter is in regard to the wages the government allows for waitresses and waiters.

"I would like to know why the government feels that we do not deserve at least the minimum wage. If they feel our tips make up the difference, they are mistaken. If a person works in a dumpy place she is likely to walk out at the end of her shift with 50 cents to a dollar, whereas a person working in a fancy place may make \$50. In the Sault this is not very common.

"Most people who like to eat and drink at a lot have become watchful of their extra few cents here and there, so the tips are even less. A great many girls who work in bars and restaurants are single parents. They have to work almost an hour to buy a bag of milk. Put this together with the fact that most bar shifts are only five hours long and it is not any wonder there are so many young girls on welfare and mother's allowance.

"If a girl works in a bar full-time, which is also rare as the bars aren't very busy during the week, she makes approximately \$250 a month before deductions. Any half-decent apartment in the Sault is at least \$200; milk is \$2 a bag; bread is 55 cents a loaf; and roast meat is over \$2 a pound. These things make living alone almost impossible, let alone trying to raise children.

"A lot of girls don't live on any form of welfare but there is little else for them to do; at least on welfare they are going to get a roof over their heads. Right now the government says pay them 35 cents an hour less than the minimum wage; and what employer is going to pay them more when they don't have to? I feel that this is highly unfair, so if you can find any time to answer my question I would greatly appreciate

I think that letter says a hell of a lot. It's not an uncommon letter. We are getting similar kinds of phone calls in our caucus; and I would be surprised if the other two parties weren't getting them as well. There are a hell of a lot of people out there in the service industry, and as you know most restaurants now serve beverages. A lot of these people, especially in the less than fancy places, aren't making the big buck to take home. Many of them are striving to get by and to maintain their dignity on a damn low wage. I just think we have to do something for them.

A little comment our research people made—and this was a year ago although I suspect it hasn't changed very much at all—was that the single parent with two children would do no better financially by working than remaining on family benefits, even if they were paid an hourly rate of \$4.04 an hour. I don't know what that says about the kind of minimum level we've allowed.

I don't think you can ignore the first two or three paragraphs in the Ontario Federation of Labour brief that was presented to you, Mr. Minister. I think it is worth putting them on the record. It simply says that up to August, 1978, Ontario had the second lowest minimum wage in Canada. Even with the latest increase, we have the lowest rate outside the Atlantic provinces. This latest 7.5 per cent increase represents half the amount needed to catch up with the rise in the cost of living in the 30 months since the last rise.

The province of Quebec, on the other hand ties its minimum wage to the consumer price index and will raise its rate 10 cents, to \$3.37 an hour, this October 1, with another 10-cent raise in April of next year. Sixteen semi-annual adjustments have been made since May, 1970.

Over the past decade the minimum wage in the province—and this is what really gets to me—has lagged at 45 per cent of average hourly earnings. The impossibility of a family head making ends meet on \$2.85 an hour is clear. Using Stats Canada's benchmark that the poor are those who spend 62 per cent or more of their income on such necessities as food, shelter and clothing, the head of a family of four earning the current minimum wage will be \$3,900 below the poverty line, using the 1977 budget of needs in a large metropolitan area.

It goes on with some other comments. Among the only immediate responses I heard, even from myself, was the question as to what effect the Quebec minimum is having. One of the reasons there may be an effect

on some of the industry in Quebec, and some of the employment there, is because there are provinces like Ontario that are a hell of a lot less. If we are not going to exercise our responsibility generally, then it is going to be used as a mechanism for depressing the wages across this country.

This is an area where this government can be criticized. I don't think we can afford to look at industrial expansion based on having the lowest minimum wage or damn near the lowest minimum wage in the country. I would really like to know whether we are going to be continually defensive about it, because I sure as blazes am not—and I don't give a damn about the \$4.50 an hour charges thrown at election time either; there is something wrong with our society with that kind of a minimum wage.

I would like a response from the minister.

Hon. Mr. Elgie: I can only respond that, as Mr. Swartz indicated, we are actively involved in assessing the reality of the tip-differential question, as well as continually reviewing the minimum wage problem.

The information I have before me is that as of January 1 there will only be two other provinces that have a higher minimum wage; and the United States, our neighbour, is \$2.90. That doesn't mean we should stay at \$3 an hour; it simply means we have to take a variety of factors into account, and we will do that.

Mr. Mackenzie: One of the arguments we also get in this, as you know, Mr. Minister, is that increases in the minimum wage would hurt our competitive position in world trade, particularly with the US. There are those who make the other argument, that our competitive industries tend to be the firms with high productivity, high wages, stable employment. The best in Canada right now, bar none, one of the few success stories in Canadian industry, is the steel industry and it is sure as hell not getting by on the minimum wage. Our low-wage industries, those most affected by any increase in the minimum wage, are basically not involved in international trade. The only segment where there may be some effect is in the entertainment area.

Hon. Mr. Elgie: Tourism.

Mr. Mackenzie: I am not at all sure that is an area where you can make a good case. I don't know another industry, for example, that has had more incentives. I know they got a good chunk of the dollar; we were giving them a \$1.25 an hour incentive to hire young people. We've made tax concessions on motel rooms, and it is not the ordinary

people in most cases who rent these block rooms in our cities. We've had the tax taken off meals, and those who can afford to eat out and pay \$5, \$6, \$7, \$8 or \$9 for a meal are not the ordinary people. This kind of industry is being subsidized to a large extent on damn low wages. That is another reason. I don't think I would be very proud making the argument in terms of low wages being the real problem in a situation where we are not going to be competitive.

Hon. Mr. Elgie: But you do agree, I am sure, it is one argument we had to take into account, along with all others.

[11:30]

Mr. Mackenzie: It seems to be the overriding argument, that's what bothers me.

Hon. Mr. Elgie: Just referring to the United States scene again, if I can, some material I was reading recently indicated there's a real battle between the northern and southern United States. Wages are severely depressed in the southern states, and in the northern states they're having problems. Surely we have to take all those things into account. Be that as it may, that's just one thing we have to take into account. That's why it's a matter that is continual under review.

Mr. Mackenzie: What response do you give to people like the hotel and restaurant workers and some of these individuals who call you about this? I'd like to know if you've got a standard reply to these people, or what kind of a response you give, when they obviously pour out their hearts about the fact that they feel they're being made second class workers in terms of the lower minimum wage.

Hon. Mr. Elgie: Personally, I haven't had to work up, to use your phrase, a standard answer, because I haven't met with such a group. I anticipate a meeting in the near future with the waiters and waitresses, and I will be discussing their problems with them and hearing their points of view and seeing what statistics and facts they've gathered. I don't only feel an obligation, I have a desire to meet with them and to be involved and interested in the studies that Mr. Swartz is carrying out.

Mr. Mackenzie: This is not just a question although I think the same thing applies as in the case of hotel and restaurant workers. I recently had occasion to write to Mr. Scott on another matter, and I don't think it was resolved, but once again I see this as a role that the employment standards branch should be playing in trying to see that justice is really done.

We had a case in Hamilton where a number of the employees of the Leo Barnett shoe company visited me. The problem in a nutshell—and this is why I think whether that goes on is illegal or not is really dishonest—was that, once again, we had a number of the female workers who were making \$2.85 an hour in this particular operation, which is a retail sales operation. When the minimum wage went up, as small as that increase was, there was some joy that there was going to be another 15 or 20 cents an hour in the pay package. Not so. They didn't get it.

It so happens those particular girls also were paid a one per cent commission, and they were paid a spiff, which seldom amounted to more than \$5 a week. They got five points for certain types of shoes up to 2 points. Every five points was worth a nickel or something like that. If the company wanted to move a certain slow-moving or high-priced brand of shoes, the girls could make a few extra pennies if they really pushed those particular shoes. But their income was \$2.85 an hour, one per cent commission—which was a very low weekly commission—and this spiff arrangement, which had limited value to them.

The blanket argument of the company—and I'm very much afraid this happens in more cases than just this one—is, "Our one per cent and our spiff bring us above the minimum wage; so we don't have to pay the increase in the minimum wage." My understanding is that, technically, they're right.

I think that's a misuse of what the minimum wage is meant to be. If the working conditions in a particular operation are such that they get the minimum wage plus the 1 per cent or plus the one per cent commission or plus the spiffs, for the life of me I can't understand why we don't ensure that the minimum wage goes up for those workers even if it's increased and that they continue to get the other benefits that are there. They're not organized, so there's no contract. Obviously that doesn't give them the protection.

It seems to me that kind of an operation is just not a fair operation. I'm wondering if the ministry has thought of some tightening up of the employment standards that would guarantee that increases in the minimum wage are passed on to all employees.

Hon. Mr. Elgie: I wasn't aware of the particular situation you've spoken about nor of the application of it in a more general way. Mr. Scott, could you comment on it for the benefit as well as for Mr. Mackenzie's?

Mr. Scott: The definition of "wages" within the legislation clearly states that it's not just to be established on the basis of an hourly rate but would also include the moneys that are paid in the form of a commission or, as you say, on a spiff. We would look at the total wage package paid to the person in the pay period and determine whether it equals the minimum wage rate set on an hourly basis. As long as it equals that, it meets the terms of the legislation.

Mr. Mackenzie: That's exactly the point I'm making.

Hon. Mr. Elgie: I think your point's well taken, Mr. Mackenzie.

Mr. Mackenzie: Just as a beef, to look for 15 cents, as low as that was, didn't mean a damn thing to the workers in that small operation.

Hon. Mr. Elgie: I'll certainly keep that in mind.

Mr. Mackenzie: Most of those to whom I talked in this particular case were single-parent families. I think it's a form of dishonesty in society today that we should be doing something about.

Mr. Bounsall: Just before we leave the minimum wage, I have a comment or two. Although you have a research project to determine the affect upon the waiters and waitresses at the lower, minimum wage level that serve alcoholic beverages, which I suppose is a valid study, one can almost determine the result beforehand, and one suspects that it's a cover-up for inaction.

This has been studied to death. You've got all sorts of documentation in your library and research branch that indicates that the minimum wage does not have a detrimental effect upon the economy and that, although the increase in minimum wage narrows the gap, thereafter wage settlements go up and start to widen the gap there has always been across the province. So we really don't need any more studies.

One comment which was of interest to me was that one likes to be competitive and comparable in one's minimum wage. When one uses that argument, one has to look not just at the dollar value paid across all of the provinces in Canada but the other factors that are there. For example, to have a minimum wage comparable in Ontario to Nova Scotia or New Brunswick where they have much lower housing and land costs, is just not acceptable here in Ontario.

What one should be looking at, if one is talking comparability of minimum wage rates, is what percentage that minimum wage is of the average salaries and earnings in those

provinces. That's what will make it comparable, not the dollar value. Ontario does not, on a dollar basis, even at the new rate, stack up at all well when that comparison is made. The valid comparison is our minimum wage as a percentage of the average salaries and wages in our province compared with those in the other provinces.

Even at the new rate in January, while I haven't got those figures with me, I would bet we're still eighth to tenth in government jurisdictions if that comparison is made. The figure of roughly 45 per cent of average salaries and wages as the basis of what the minimum wage is in Ontario, or what it's shaken out to be, does not compare with the province of Manitoba where the base in calculation of the minimum wage starts at 60 per cent of the average salaries and wages, including those persons who are on minimum wage.

As the most industrialized province in Canada, we should be adopting Manitoba's approach of 60 per cent of the average. On a per dollar basis we can't compare ourselves with other provinces; we must put it on a percentage, a per dollar basis is just no way of doing it at all. Your ministry should look at those percentages in terms of the average salaries and wages to see where we are. When that is looked at, I would guess we are eighth to tenth, if not tenth. You can't make a per dollar basis comparison with other provinces where average salaries and wages are lower than Ontario's. I would suggest very strongly to the ministry we take the Manitoba approach and base it on a flat 60 per cent of the average salaries and wages.

Mr. Swartz: I was not aware that Manitoba has adopted a uniform 60 per cent base which it is now using as a index and will be allowing its minimum wage to keep increasing as average wages increase. To my knowledge the only province that had involved indexing was the province of Quebec; and they are going through a major rethinking of the necessity of indexing.

Mr. Bounsall: Manitoba, I believe, calculates it based on the figures as of the end of March, and announces it in July effective October. That is the way they arrive at their figure; and have since 1973, I believe.

Mr. Swartz: My impression of the Manitoba situation, regarding how they are determining their minimum wage, is that this is under review at the current time and may be undergoing considerable change. This is one of the things we have been examining through the study now being conducted in conjunction with the Institute for Research on Public Policy.

Mr. Bounsall: That's true. You can't trust their particular government at the moment do what was adequate in the past.

Mr. Swartz: However, I would like to indicate there are a number of elements involved in the calculation of a minimum wage as percentage of average wages. You are correct in saying the minimum wage in Ontario is below 50 per cent of the average in the province. We have never established 60 per cent as a target figure.

To my knowledge, neither have any of the other jurisdictions we have been examining most closely in looking at the extent the Ontario minimum wage is reasonably comparable and competitive. We have examined and paid particular attention to minimum wages in the northeastern United States and to the Quebec minimum wage, that is the minimum wage paid in jurisdictions which have an industry base competitive with that in Ontario.

Calculating a minimum wage based on the cost of living, I think unless we were to develop separate costs of living indexes for the major urban areas—particularly the Toronto area—we would find a situation in Ontario very comparable to that in Nova Scotia and other jurisdictions. In fact it would probably be far better than what we find in the other jurisdictions.

Mr. Bounsall: Could I interrupt at the moment? In a logical vein, if there is an index to which minimum wages should be tied, it should not be a cost of living. That is one of two logical areas—Workmen's Compensation Board pensions being the other—where the tie-in should be with the average salaries and wages not the cost of living.

Mr. Swartz: We do maintain figures on the minimum wage rate as a per cent of average wages. This is similar to the kinds of statistics maintained at the federal level, so that the federal minimum wage can be kept within broad parameters. Historically, for the Ontario minimum wage and the federal minimum wage, the broad yardsticks have been in the 40 to 50 per cent range of average salaries and wages. An historical examination of data will show we are almost always within that range. That is not to approve or deny a claim that it should be 60 per cent or 70 per cent or some other fixed percentage.

The assertion you made a couple of minutes ago—that the weight of evidence on minimum wages we have in our library and in our research branch overwhelmingly indicates the minimum wages do not cause inflation and unemployment—is true, but with a major qualifier in my opinion. That qualifier is that empirically, minor revisions in the minimum wage have not been proven to have any sub-

ant negative impact, but the empirical evidence for major increases in minimum wages is the opposite. There is some empirical evidence to indicate major increases have had locating effects.

[1:45]

This is one of the reasons the Quebec minimum wage is under such careful review by the government of Quebec. It is another reason the whole minimum wage determination process is under very careful scrutiny in the province of New Brunswick. They had a recommendation for a minimum wage increase which was in their mind going to result in substantial competitive pressures and economic dislocation. One of the British Columbia studies also turned up a fairly good body of empirical evidence to indicate that at the time of that study there was some negative impact from the increases in the minimum wage.

The American studies on this, if anything, are far more negative than the view I have given you. There are a lot of American studies and a lot of American authors who seem to follow the traditional economic thinking that if you increase the price of labour you are going to increase unemployment, and conceivably even increase inflation. As I said before, I don't subscribe to this tradition although I don't believe the weight of empirical evidence bears that out, other than the evidence which indicates that if you jump the minimum wage quickly and by a fairly large percentage you are going to have disruptive effects.

Mr. Mackenzie: That is certainly not a \$ or a good point Ontario can be accused of being responsible for any sizeable jump in the minimum wages at any time. It has taken an awful long time to move them up, and at a very slow rate.

I am wondering if you have any standards you are setting or thinking of setting in terms of the tips that employees in the service industry get; if you set any standards whatever for how they are collected, how they are distributed or what kind of a record is kept of those tips?

I raise this without going into the details, Mr. Minister, because of evidence that has come into my hands over the last few weeks that indicates there are a variety of ways of doing it in the restaurant field. I have talked to restaurant employees who say they get a daily chit totalling the tips that are collected. They get 50 per cent of it if they are waitresses, and the balance is split among the kitchen or clean-up staff or

bartenders. The percentages vary all over the lot in terms of what they actually get.

I have also dug up information on restaurants where the total tips are collected by management and a single monthly cheque is issued to all of the employees. There is no way, these employees claim, they know exactly what they are getting in the way of the total percentage of the tips. I am wondering what we have in the way of requirements for reporting that allows us to check exactly how much is collected, what is paid and who gets what in the tip field?

Mr. Scott: First of all, a definition of wages excludes tips and gratuities. There is no requirement in the record-keeping section that tips be recorded, either on the basis of the total tips collected or tips disbursed to individuals; there is no legislative authority for it.

Mr. Mackenzie: They are totally at the mercy, then, of the owner of the establishment and however he handles the tip arrangement.

Mr. Scott: They would be, yes.

Mr. Mackenzie: If X hotel or restaurant—one of the fanciest in Toronto is one of the ones on which I had this raised with me—collects all of the tips and then gives a cheque for \$100 once a month to each of the employees, that could be 50 per cent, 20 per cent, 75 per cent or 100 per cent of the tips collected; there is no way of knowing. There is no way of knowing what additional subsidy goes to that establishment as well.

Mr. Scott: That would be correct, yes.

Mr. Mackenzie: Do you not think, Mr. Minister, there is an area here, inasmuch as we are reducing their minimum wage based on the tips they get, that if we are going to take something away from them, as we are doing in this case, we then have a responsibility to see that they get the benefit of those gratuities?

Hon. Mr. Elgie: Yes, I agree with you. We have a responsibility to make sure the tips are distributed.

Mr. Mackenzie: Can we expect to see some legislation that would accomplish that?

Hon. Mr. Elgie: You can expect me to review that as part of the employment standards review package that is under way.

Mr. Mackenzie: Hopefully that will not be a long way off. I recognize the problem of time, as always, but I think you can see the unfairness of the situation that can and does develop in this situation.

Hon. Mr. Elgie: I appreciate your comments.

Mr. Chairman: Any further discussion under vote 2305, employment standards program?

Mr. Mackenzie: Mr. Chairman, I had an interesting point made in a brief from the Service Employees' International Union. It dealt, once again, with health care workers. They make the following point in their comments to me dealing with various sections of the Labour Relations Act. It relates to the vote we are on, in their interpretation it is under employment standards.

This particular letter is from Mr. Al Hearne, the international vice-president. He makes the following point: "The problem of overtime under the jurisdiction of employment standards is one we are dealing with constantly through negotiations." He is dealing now with the service employees. "The special nature of health care institutions allows employers to receive exemptions from article 25, subsection 1. The union acknowledges the unique needs of this industry, but as a result we are constantly faced with the problems of poor scheduling and lack of proper time off.

"Again and again we have dealt with this problem at the negotiating table and in front of arbitration boards, and have received little satisfaction. Our most recent effort involved the master settlement which included 43 hospitals that are bargaining units in this union. The union's request was that a failure to grant a fourth weekend off would automatically result in a payment to the employees of time and one half. The chairman's award was as follows"—and I read briefly from the award:

"In scheduling shifts, the employer will endeavour to arrange schedules so as to provide for a minimum of eight weekends off every 24-week period, and in any event at least one weekend off in each four week period. Where the weekend is not granted on the fourth weekend, time worked shall be paid at the rate of time and one half for any time done Saturday or Sunday unless"—and this is underlined—"unless the employer, notwithstanding its best efforts, was unable to meet this standard. This shall not be construed as requiring the employer to hire additional staff."

Mr. Hearne has noted the underlining in his, and makes the comment: "In effect, this leaves us no better off than when we started, with very little control over the question of scheduling and overtime; and once again the Ministry of Labour is devoid of any responsibility of ensuring that at least the spirit of employment standards is upheld."

I was wondering if there was any particular comment on that paragraph.

Mr. Scott: I am not quite clear on the problem, Mr. Mackenzie, unless it is in the area of what could take place with approval to average hours over a two, three or four week period.

Mr. Mackenzie: That's the deal as I understand it.

Mr. Scott: The act does provide that whether that is a practice in an industry, an employer's premise that they have this arrangement between the two parties, we would have to prove that system. The averaging arrangement we would approve does require the approval or the agreement of the employee concerned. It's a practice they've worked over the years for the convenience of the employer and also for the employee.

Mr. Mackenzie: If this particular letter was given to you would you respond to Mr. Hearne on this matter, Mr. Scott?

Mr. Scott: Yes, I would respond to Mr. Hearne.

Mr. Mackenzie: I am wondering if there has been any further thinking, other than the answers we've had in the House, on the whole question of the overtime hours. I know there have been a number of questions raised particularly as it affects the automotive industry, but is the ministry doing any thinking at all in terms of change in the hours in Ontario, or a tightening of the requirements for overtime?

Hon. Mr. Elgie: You are referring to some answers in the House recently in response to some questions from the member for Welland-Thorold (Mr. Swart). I indicated to you then that Mr. Scott had indicated he was monitoring that particular situation carefully to make certain there wasn't abuse taking place. John, did you have any comments on that overall problem of issuing permits for excess overtime work?

Mr. Scott: I have the records of what we have issued in the automotive industry in total for last year and this year. It shows there is a decrease in the special overtime permits we have issued to that particular industry.

The cry we get so often is simply to refuse to issue overtime permits. I think what we lose sight of is the fact a negotiated agreement between the two parties concerned contains a provision that places the right within the hands of the employee to refuse to work any hours we have authorized under the terms of a permit. To the best of my knowledge, I've never been made aware that any employee has so refused to work. It

fit, we had been made aware that employees desire to work. Possibly that is not the thought of the union per se, or the officers, but certainly the employees involved do appreciate the additional income that is derived from overtime hours.

Mr. Mackenzie: I don't think there's any doubt about that. I think it's a situation that's gradually correcting itself. It has been an internal problem that most unions are facing. I have no argument with it at all, but it doesn't resolve the problems we have in terms of trying to provide jobs and to reduce the long hours that some employees do work.

I would like to clearly understand—again, I think I raised this a year ago—is it not factual that a company is allowed 48 hours per week for the entire complement of that company?

Mr. Scott: Yes, that's right.

Mr. Mackenzie: In effect, before you have to go the permit route, you may have 2,000 employees and only 1,000 on production; so you've really got 16 hours for those production employees, not eight hours.

Mr. Scott: That's right, yes.

Mr. Mackenzie: This is really what I'm getting at, and I'm wondering if there's not something that can be looked at here. It means that when you're getting overtime permits, you may only have a part of that operation that's doing the overtime work, but there can be a hell of a lot of overtime involved. Some of the trades are allowed to work 60 hours in many of these plants; that's what I am getting at.

Mr. Scott: Yes, that's right; the act states that the maintenance person can work up to 60 hours with a permit. It's not our practice to issue a permit to an employer that would grant him an additional 100 hours for every person in his complement. We ask that he restrict that and to name the employees, if possible, who will be involved as to their classification and in what department they would work. We also ask why the permit is necessary, what steps they have taken to obtain help and what classification it is—is it a skilled person or persons they are requiring? We ask them to provide all this information.

Mr. Mackenzie: That 100 hours comes over the company can legally work them 5 hours.

Mr. Scott: No, no. I don't quite follow you on that.

Mr. Mackenzie: I'm talking about the scheduling. If you're allowed 48 hours—

pardon me; yes, it would be, if you've got 2,000 people but only 1,000 who are in a production operation.

Mr. Scott: The limit still is 48 hours for anyone working. To exceed that it must be under the terms of a permit, unless it's maintenance.

Mr. Bounsall: Hold it. Do you not have that intermediate step of a 100 hours per year per employee?

Mr. Scott: Yes, in the form of a permit, the standard overtime permit that is issued to the employer and which the employee still has the right to refuse. In addition to that, there are other special overtime permits that are granted for groups of employees, for a section of employees, for a division, or for an individual, to exceed those limits.

Mr. Bounsall: Those were the special overtime permits you were talking about, where you require the list or the group of employees.

Mr. Scott: That is right.

Mr. Bounsall: But you really don't inquire in depth about the 100 hours per employee per year?

Mr. Scott: No, and the firms—

Mr. Bounsall: That's granted virtually automatically.

Mr. Scott: That is right; and the permits go back quite a number of years, Mr. Bounsall, as you well know.

Mr. Bounsall: Therefore, it has become a right of a company; they have to go through some paperwork, but they can get a 100 hours per employee—

Mr. Scott: Yes.

Mr. Bounsall: —without any questions really being asked by the ministry. So it's 48 hours a week and 100 hours a year per employee, and it's only then, for an additional permit beyond that, that you ask for the details.

Mr. Mackenzie: I want to be clear on that; that 48 hours is for the entire staff. Can some of that be loaded on one group of employees?

Mr. Scott: No. It's 100 hours for each employee. If an employee reaches the 100 hours, he can no longer work overtime; he would fall back and be restricted to 48 hours.

Mr. Armstrong: A point that was made about the issuance of the permit which should be emphasized is that the permit is permissive. It doesn't require the employee to work the number of hours that are allotted by the permit; it's up to the employee.

Mr. Mackenzie: How many permit requests do we turn down? Have we ever turned down any requests for permits?

Mr. Scott: There have been permits turned down, but not in the automotive industry. We have made it harder for them to get permits in asking for the information that we do, and I think that is responsible for the downturn in the permits.

Mr. Mackenzie: What percentage of the applications for overtime permits would be turned down?

Mr. Scott: Practically nil.

[12:00]

Mr. Mackenzie: So while they have been turned down, it's unusual to turn one away?

Hon. Mr. Elgie: What he is suggesting, too, is that because of the questioning in the instances there has been a reduction in the number of permits issued. Is that right, John?

Mr. Scott: Yes, sir.

Hon. Mr. Elgie: The very approach you've taken in questioning applications has resulted in the reduction; there's not increased rejection of the applications.

Mr. Mackenzie: Let's go back just for a moment. I missed one point. I haven't read it, but I understand there is a judgement given in the Beacon Arms Hotel case on the matter of tips. My understanding of that judgement is that tips must be passed on to the employees. Are you aware of that judgement?

Mr. Scott: No, I am not.

Mr. Mackenzie: This letter I just got from the hotel and restaurant joint executive board reads:

"Further to our telephone conversation of today, I am enclosing a copy of Mr. Justice Fraser's judgement in regard to the matter of tips in the hotel and restaurant field in the Beacon Arms Hotel case."

The gist of it, I gather, is that tips, in this judgement, must be passed on to the employees.

Hon. Mr. Elgie: We'll try and respond on that this afternoon, Mr. Mackenzie.

Mr. Mackenzie: The other point I wanted to raise with you is the question of vacations.

Mr. Bounsall: Could I interrupt?

Mr. Mackenzie: Sure.

Mr. Bounsall: I have a supplementary on the overtime hours question before we leave it entirely.

One of the real issues with the overtime hours is not connected with the 100 hours per employee or their special questioning

that comes if permits beyond that are required. It's the question of overtime hours at 48 itself. Every employee in this province must work up to 48 hours if asked; he or she can be required to do so.

Mr. Scott: That's not required, sir; it's only required if they have agreed to work beyond the 48.

Mr. Bounsall: All right, but for organized employees you have the decision, which came from the Ontario Labour Relations Board, that if you are organized, unless your contract specifically indicated otherwise, using a reference to the act, all employees are deemed to have agreed to work up to 48 hours if asked. That's the bind we're in because of a decision handed down. There have been strikes. This was the issue in the automotive strikes with respect to the contract before this last one. They were trying to get overtime hours reduced in the contract by the reference made to the act and so on.

What we need here in Ontario, particularly as it affects the contract situation, is a reduction in overtime hours, from 48 to 40 or even 36, beyond which an employee, particularly if the company is organized, is not required to work.

This change in the act is long overdue. A reduction in the overtime hours from 48 to 40 or even 36 would certainly be helpful in spreading employment around in these tough economic times. You cannot work beyond 36 or 40 hours. Reducing the hours from 48 to 40 would allow those persons in the work force who are concerned about the overall employment picture, the overall economic picture, to say, "I will not work beyond the 40." That's a very needful change. In tough economic times, I would be inclined to say that one can't work beyond the 40 so that companies in which employees are consistently working 48 or 50 hours a week on a voluntary basis would have to increase their work force. The employees who are most affected are those who have been in the work force for some time, are in their 40s or older and work in an organized plant, who would very much prefer not to work the 48 hours but have no choice. The change to 40 hours

ould allow that voluntary refusal after 40
urs a week for organized employees in
province without having to go, as the
W did, to a strike situation to get it into
ir contracts, which they did in the con-
ct before this last one.

Mr. Mackenzie: We would be very happy,
v. Minister, and with no particular pride of
orship, to have you borrow our private
mber's bill and maybe change one or two
eds to suit the Conservative government
of the province and bring in the overtime
er 40 hours bit in the province of Ontario.
y, we salute you for it if you decided
pick up the bill we now have on the
ler Paper, even with slight changes to
ow you to claim authorship of that bill.

Hon. Mr. Elgie: There are many things
yi do I would like to claim authorship for,
Robert.

Mr. Bounsall: It's been four years, hasn't
it?

Hon. Mr. Elgie: Not all, but some.

Mr. Bounsall: It's been four years since
there was any changes made to the Employ-
ment Standards Act by way of amendment?

Hon. Mr. Elgie: Yes.

Mr. Bounsall: Four years now. That act
was basically with the minimums in this
province, but does have overtones as to the
overtime hours for all employees in this prov-
ince, including the organized ones.

Mr. Mackenzie: I might back up what my
colleague, Mr. Bounsall, is saying. I well
understand the arguments that have raged,
even within the unions, over the hours of
work and the overtime question. But I can
tell you about an interesting phenomenon
that may or may not have hit your con-
stituency office. I now have automobile
workers coming into my constituency office
who are willing to support, do support and
who are arguing for, the 40-hour-a-week
legislation we're talking about. While I know
it by no means a unanimous opinion, it's a
growing conception on the part of the
workers themselves. This is one of the reasons
I think it may be time for the government
to show a little leadership in what has been
done in a couple of other cases.

Hon. Mr. Elgie: Is it fair to say there
would be strong disagreement about limiting
work to 40 hours and not allowing any over-
time at all?

Mr. Mackenzie: There would still be dis-
agreement to it, no question; but I think it
would be much more acceptable now than it
would have been even three or four years
ago. That's my feeling.

I'm wondering, Mr. Minister, if you've
also taken a look at vacations, which were
raised briefly in the overview, and at the
arrangements for five weeks they are now
going to in Sweden. I also raised the phone
call I got. As a union person I guess it would
have been very easy to have said to the lady
who called me, "Why doesn't your husband
sharpen up and see that the construction firm
he works for is organized?" However, why
should we stick with the four per cent and
the two weeks? What about a change in the
law that ties in to some of the standards that
seem to be set through collective bargaining
in the province? Why shouldn't a worker be
entitled to three weeks or four weeks or five
weeks vacation based on 10, 15, or 20 years
service, regardless of where he works?

Hon. Mr. Elgie: I think you're talking
about section 29 of the act. That's one of
the items before the employment standards
review committee. I can't tell you at this
time what the decision will be, but it's before
that committee.

Mr. Mackenzie: Could I ask you, Mr. Min-
ister, for your own perception? Does it not
make sense in this supposedly enlightened age
that 15 or 20 years service should entitle a
person to three, four or five weeks vacation,
whatever the standards are?

Hon. Mr. Elgie: At this early stage in my
career I have to say that it does make some
sense.

Mr. Mackenzie: There is a bill here as well
that you could look at which would save you
a little bit of trouble on some of the work.

Hon. Mr. Elgie: You've got all those bills,
Robert; holy mackerel, you'd fill the Legisla-
ture for two years.

Mr. Bounsall: We'd do it and pass them all
in two weeks, guaranteed.

Mr. Mackenzie: We talked earlier about
how we've been waiting four years for some
progressive changes, and these are positive
changes as I see it. They're not areas where
you're being totally new or leading the field.
Ontario should have some firsts. In terms of
labour legislation, there are a number of
areas into which we could be moving.

Hon. Mr. Elgie: As I say, Mr. Mackenzie,
I have much to learn in this area, but I must
say my staff feels the Employment Standards
Act is an act that has a lot of merit. It has
been a leader in the field and is praised in
many areas. I don't know if Mr. Scott or the
deputy want to comment on that.

Mr. Scott: No, I haven't any comment.

Mr. Bounsall: On that same point there is
a matter I brought up some two or three

years ago. How about considering a leave of absence as a right, equal to whatever the vacation is; either in the act, and there is the minimum in the act, or under the particular contract or work conditions of a company? It wouldn't cost anybody anything. It just means that from time to time and particularly again this is true with older employees who have worked maybe 20 years, first at two weeks' vacation and then maybe at three weeks' vacation, they get to the point where they would like to have six weeks off where three weeks is their due. They ask for a three-week leave of absence and the answer is no; a flat no, for whatever reason.

A leave of absence as a right in this province, equal to whatever vacations they do get, would allow workers in this province to, from time to time, or even yearly, regenerate themselves more for their work activities for the rest of the year. On those occasions when it occurs, once in every five or 10 years, it would really make a significant difference in their lives. Now when they ask for a leave of absence they can just be cut off with a flat no, or in some instances employers say "Well, are you asking to be relieved from your duties permanently?"

Ask the ministry and those in the Employment Standards Act review committee to have a look at that. A great percentage of workers in a given year wouldn't necessarily take advantage of it, but for those who really feel the need for a break of that length, yearly or from time to time for a vacation back home if they were immigrants originally, would be of inestimable value and improve morale in the work force.

Mr. Armstrong: You are talking about an unpaid leave of absence?

Mr. Bounsall: Yes.

Mr. Armstrong: As you know, the auto workers, among others, are making some headway in collective bargaining in this area on paid educational leave, but you are talking now about unpaid leave of absence?

Mr. Bounsall: Just the right, without the company being able to just say no, to have an unpaid leave of absence equal to their vacation pay.

Mr. Armstrong: That is one of the matters that has been before the employment standards review committee. I think I am accurate, subject to correction by the experts, and this is no decisive reason not to do it, in saying there is no legislation in any of the jurisdictions in this country that has provided that. It is, however, something we have been looking at.

Mr. Mackenzie: Do I understand you correctly in saying the question of more adequate vacations based on years of service something being considered by the labour standards people?

Mr. Armstrong: Yes.

Mr. Mackenzie: I am wondering if we have also considered either leave of absence or the kind of absence that is allowed in the case of employees in industry who run an office and are elected? I recall a case in my own town, where an employee of a small plant was having great difficulty getting a month off. He was elected to council as an alderman in the city of Hamilton. When, in his recent re-election, this time topping the polls so he is on regional council, with a \$17,000 total he now makes he is able to take a full-time leave of absence. That is the arrangement he could make.

A number of others are working as employees of Stelco or Dofasco or some other firms, and are able to work out arrangements with their companies. It would seem to me that it might well come under the employment standards section that somebody elected to a municipal office should be able to make some minimum arrangements for leaves of absence. It seems to me to really downplay the whole democratic procedures if a person gets himself elected and then finds there is no way he will be allowed even the minimum time necessary to attend budget meetings or committee meetings prior to the city council meetings or at whatever level he may be elected.

Have you given any thought to that well?

Mr. Armstrong: Not as a matter of active right. I can't tell you that has been the subject of part of the package we have been developing.

[12:15]

Mr. Mackenzie: Do you not think there would be some merit in guaranteeing a person's right to participate in the democratic processes?

Hon. Mr. Elgie: I am willing to look at it but I don't want to give you any commitment that it is a matter that will be in any package.

Mr. Mackenzie: Tying into the same thing can I also ask you if you have as yet taken a look at the question that was raised in the House the other day? This is another bill we submitted to the House yesterday that would protect an employee who was going to testify in an environmental hearing. I am referring to the case where there was ostensibly a threat of termination if an employee

appeared before an environmental hearing, I believe it was. In other words, it protects employees who are testifying from any discrimination or the loss of their jobs or any threats on the job.

Mr. Armstrong: I think the situation you are referring to was an environmental assessment hearing carried out under federal jurisdiction. Most of the remedial legislation for which this ministry is responsible contains provisions that prevent an employer from discriminating against an employee who exercises a right under the statute. If you can point to any specific gaps or lack of protective provision of that sort in any of our legislation, I would be obliged if you would do so, for example, labour relations.

Mr. Mackenzie: The case that came out of the federal, you are correct on that. Are you telling me there is job protection for any employee who would have to appear in any type of legal proceeding in Ontario?

Mr. Armstrong: I don't know what the Environmental Protection Act says with respect to that, but for example under the Labour Relations Act, and under the Employment Standards Act there are protective provisions with respect to persons who take advantage of rights granted under those pieces of legislation. We can refer to those. The protection under the Employment Standards Act is section 57 of the act. There is similar protection under the Labour Relations Act and under the health and safety legislation.

Hon. Mr. Elgie: It is clearly the kind of protection that you are talking about.

Mr. Mackenzie: I may or may not have jumped the gun on that. I will take a look at the bill. I was concerned with the federal case that was raised.

Mr. Armstrong: In the Employment Standards Act, take a look at section 57(1)(h) which covers in particular the situation you are talking about.

Mr. Mackenzie: Have you taken a look at the extension of the time in termination notices in reference to the whole question we raised of plant moves, transfers and new operations? Is there any move to allow more advanced notice to employees?

Mr. Armstrong: Yes, that is one of the substantive matters which is being considered by the employment standards review committee.

Mr. Mackenzie: A number of points were made in the OFL brief, specifically that workers should have the right to reopen negotiations with final determination of the

right to strike in situations that affect them economically, such as plant closings, transfers and layoffs, and that any layoffs or terminations involving 15 or more workers should constitute a group for the purpose of the legislation. Employees should receive a six months' notice of termination in lieu of. Notice of termination legislation should apply in all cases whether there is a strike, lockout or bankruptcy. It should be mandatory for management to meet formally with government and labour representatives to resolve the problems.

Notice of termination or payment in lieu of should be mandatory and separate from severance pay, and all fringe benefits, such as pensions and OHIP, should continue until final termination. The various points made deal with the very serious problem of industrial change in our province. I am wondering if all of these points are currently being considered or whether there will be a response to those that were contained in the OFL brief.

Mr. Armstrong: We are aware of the provisions of the Ontario Federation of Labour brief in 1978. The recommendations are thoroughgoing and we are certainly looking at them.

Mr. Bounsall: When does this review committee report to the top decision-makers in the ministry, or when may we expect the Employment Standards Act revision legislation to flow from the deliberations of the review committee?

Hon. Mr. Elgie: My deputy and my staff and I have spoken about this and we hope that during the next few months we will be able to review the reports of that committee. Then I hope to discuss the matters with both Labour critics and see where we can head on it.

Mr. Bounsall: We're talking about the deliberations that would lead to legislative changes.

Hon. Mr. Elgie: That's what we're talking about.

Mr. Bounsall: All right. Are you saying that within the next few months this would be done? So we're looking at a bill in the spring?

Hon. Mr. Elgie: I'm saying I expect to be receiving a report from that review committee within the next few months. We will then decide upon a possible legislative package; then I hope to have the opportunity of discussing that with the Labour critics.

Mr. Bounsall: So it may be 1980?

Hon. Mr. Elgie: It depends on how quickly they respond.

Mr. Bounsall: They'll respond right away, I'm sure. That won't be a delay.

Hon. Mr. Elgie: That's a commitment, is it?

Mr. Bounsall: It depends whether you bring it out on August 23 or not. In spite of the review, which is the answer we're given in virtually all of these areas, obviously you're making no commitments really to bring in legislation based on that review in the next calendar year.

Hon. Mr. Elgie: That's not what I said, Mr. Bounsall. That's not what I said at all.

Mr. Bounsall: Would you like to be a little clearer on the answer?

Hon. Mr. Elgie: I was pretty clear. I said that we would be receiving those recommendations with a view to legislation, and when I had that package together I'd be prepared to discuss it with the Labour critics.

Mr. Bounsall: Anything you do will be a step forward, unless it's in another area like the deletion of the rides home to women who work after midnight, which occurred in the last set. There are very few areas you could go down in. They would all be improvements and steps forward.

Hon. Mr. Elgie: I would hope so.

Mr. Bounsall: The steps may be small steps forward rather than adequate steps, but nonetheless they would be steps forward.

Hon. Mr. Elgie: You can break down the ones that are adequate into big steps and little steps.

Mr. Mackenzie: I have just one more matter that I want to raise. I think it's an important one although it may be considered small potatoes by some.

Once again, I have had some correspondence back and forth with Mr. Scott on this. I must acknowledge, as I have in the past, that I do get co-operation when I raise these issues; I may not always be satisfied with the answers.

I had raised with me by a Mrs. Bagu in my riding the problem her son was having with a distributing service he was working with. I'll give you a bit of the background on it and the things that bothered me and the response from Mr. Scott, which in my opinion still leaves the question open.

The lady who contacted me is widowed, struggling to make ends meet, a part-time school bus driver herself with four children, all of them at that time living with her. She had to sign a waiver form saying that Niagara Distributing was not to be held responsible for her children who worked

for them as carriers when they were on street.

At the time the children were employed Mrs. Bagu was sent a card which she must sign in order for the two children who were working as carriers to get their pay, which she claims is one cent for a paper. Handwritten in the card to the firm, they will send her a note back telling her where the children have to go to pick up their pay. Since the pay amounts to about \$3.35 a month Mrs. B. is not happy that they can't pick up from the firm's office. In addition to the little money they're making she saw it as the firm's lack of responsibility for their welfare. They sent a bank card that she had to sign.

She also sent the forms that were rather long and detailed that were required to be signed. Two bothered her in particular. One bothered me more than the last one, quite frankly, but the carriers had to sign a form which included amongst 18 regulations and provisions, "I am operating my own business and will not cause Niagara Distributing to be responsible for any form of worker's compensation or insurance on behalf of myself of any kind." It also says, "Your monthly pay will be deposited in a bank in your area by the 15th of the following month. By going to that bank you can have your bank books updated, or withdraw as you please and so on. Although that seemed to bother the lady involved, it was provision 17 that really bothered me.

We had correspondence back and forth and I know Mr. Scott had his people check into it. I'm just not satisfied that that requirement is proper. It seems to me there is almost no protection whatsoever for the carriers involved and that they are totally at the mercy of the distributing company and can't find them responsible for anything.

I am wondering if there are any further comments from Mr. Scott. I am not sure if others operate the same way, but certainly Niagara Distributing does.

Mr. Scott: It is the opinion of the branch that what exists there is not an employer-employee relationship. I think that was the basis of the reply Mr. Mackenzie had, if my memory serves me correctly. However, it is certainly a matter that can be reviewed and again examined.

Mr. Mackenzie: Your response, Mr. Scott, which I appreciate, is, "This company is engaged in a direct mail and handbill delivery business. We have received a few complaints about the payments for the handbills delivered. In each case the matter has been settled with a minimum of trouble, and the

understanding was generally with respect to form and time in which the student reported his activity to the company."

Yi also mentioned, "The company's list of rules and regulations is indeed long and detailed, and while it is no doubt designed for their benefit, the directions also provide assistance to the student in work planning and discipline."

I really wonder, though, if provision 17 of that agreement as I read it to you is not the area at which the minister should take a closer look.

Hon. Mr. Elgie: I would be happy to look at it. I'd like to have a better understanding of it. Does Mr. Scott have copies of all of those documents?

Mr. Mackenzie: I believe he does. If he doesn't, they are certainly available. I think they have already sent them to him.

Mr. Scott: Yes. We would have the file in front of me.

Mr. Mackenzie: One final question; I almost forgot it.

Some time ago, in January, there was a news story in the *Globe and Mail*, that I clipped out at the time. It said: "At least 20 inspectors in addition to the present 70 are needed to do the job we feel we should be doing, making sure minimum working conditions are maintained in the province," an official of the employment standards branch of the Ministry of Labour said yesterday."

What is the status on that comment made in the *Globe and Mail* on January 10 when apparently we needed at least 20 more inspectors to do the job? Have they been hired or not? Was the comment factual?

Mr. Armstrong: We have made very vigorous representations to Management Board of Cabinet for increased funds to better enable the employment standards branch to carry out its legislative mandate. We have not received a final response on that request, and it is part of the entire budgeting process. We are looking for funds in this year—this one of the priority areas—and we are looking for funds in other areas. We are waiting a decision on that.

Mr. Mackenzie: So not only are we short of money. I didn't go on to the next paragraph of the news story which indicates that if they are going to do a job of education for employers they need 20 to 30 more on top of the 20 mentioned first, so really we are talking about 40 or 50 employees. You are telling us that the restraint program is such that this need to protect workers and to prevent the ripoffs that occur on people may

be stymied to some extent because of the lack of manpower?

Hon. Mr. Elgie: I think what he is saying, and as you commented, Mr. Scott and the staff he has are a particularly outstanding group, and they try to move around from area to area to help each other out when there's a slack period in one and there's a peak in another. I bumped into that when I visited a couple of offices myself.

But I think we have to emphasize what Mr. Armstrong just said to you. We are making very vigorous presentations trying to obtain extra funding in this as well as a few other areas.

Mr. Mackenzie: Clearly the answer, in your own view, is that you are short of people in this particular ministry?

[12:30]

Hon. Mr. Elgie: At times. Mr. Scott?

Mr. Scott: Yes, that's right. The article you have there, while it is from someone within the branch—and I don't know who authored it—certainly doesn't reflect the formal look that we took at our needs when we put in the submission to our minister for additional complement.

Mr. Mackenzie: I would hope that you weren't any more timid than somebody from within the branch was about your need, Mr. Scott.

Mr. Scott: I don't think I have ever been accused of that.

Hon. Mr. Elgie: Many things, but not that.

Mr. Scott: I know the Hamilton area and the southwest area, as well as Toronto, have been contentious points with us with regard to the level of service provided to clients.

I would like to go on record that I would be very hopeful that the situation in Hamilton, Kitchener, London and Windsor today is fairly current from the view of a backlog. I think because we have shifted personnel around we will be able to take care of that whole southwest area and have it current.

The problem area that still remains, of course, is in Toronto. We have incorporated a couple of mechanical items into our working arrangements here. One is a word-processing piece of equipment that should be of assistance in freeing up staff. We also have a sequencier for telephone answering, due to our activity in that area, which should free up staff for us as well.

So we are hopeful that this year we can make good inroads into the backlog, and we are also praying that we get the additional complement that we have asked for.

Mr. Mackenzie: Your staff is 27?

Mr. Scott: It is 124. That breaks down into about 50 support and about 74 field staff, including supervision.

Mr. Mackenzie: Could I ask you how many of those are female staff members?

Mr. Scott: Do you mean an officer in the field?

Mr. Mackenzie: Yes—particularly field officers. I have more interest in that than the rest.

Mr. Scott: Nine or possibly 10. I don't have the exact figures. Mr. Armstrong, you are the administrator—

Mr. Armstrong: Nine or ten.

Mr. Mackenzie: Out of how many field officers?

Mr. Scott: Out of 64 officers in the field I would say about 10 would be female.

Mr. Chairman: We have run out of time. It is now 12:33. Is it the wish of the committee that we come back at 1:30 or 2 o'clock?

Mr. Mackenzie: 1:30.

Mr. Chairman: Very well. Thank you very much. We will reconvene at 1:30.

The committee recessed at 12:33.

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 Burak, R., Director, Women Crown Employees Office
 Clarke, M., Director, Women's Bureau
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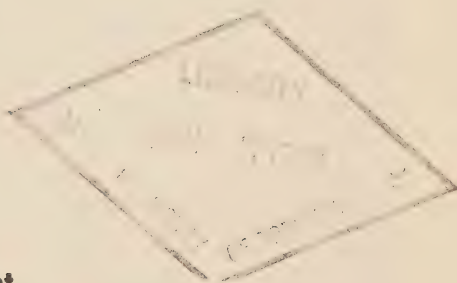


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Labour



Second Session, 31st Parliament

Wednesday, December 6, 1978

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, DECEMBER 6, 1978

The committee resumed at 1:40 p.m.

ESTIMATES, MINISTRY OF LABOUR (concluded)

On vote 2305, employment standards provisions:

Mr. Chairman: I now see a quorum. When we adjourned at 12:30 this afternoon we were just winding up vote 2305, employment standards program. Hopefully our wrap-up speaker will be Ms. Bryden.

Ms. Bryden: Mr. Chairman, I just have one area I wanted to discuss with Mr. Scott. I recently had a constituent come in whose occupation is driving a station wagon which carries handicapped and retarded kids to various schools. She is employed by a taxi company which has contracts with these schools. I wondered how employment standards monitors this sort of work—as to whether it is getting the minimum wages or vacation pay, and proper pay slips?

She reported she gets a cheque every week of about \$60 to \$63; sometimes it has unemployment and CPP deductions marked on it. It rarely mentions the number of hours she worked. She works a very bad split-shift system from 7:30 in the morning until 5:30 in the evening with time off in the middle of the morning and the middle of the afternoon, but with some lunch hour deliveries or pickups.

In her time off she is given the use of the car and not charged for any gas she uses, or she is also expected to service the car in these periods. I think that should be counted as part of her hours, but probably it isn't—although the use of the car for personal use may be considered a counteracting benefit. She also takes the car home at night and she brings it back in the morning when she reports to work.

So I wonder how you measure her hours, the benefits, and what sort of itemization her employer should give to her and how you check as to whether she is getting at least the minimum wage.

Mr. Scott: The legislation requires that the employer keep a record, and that he furnish to the employee at the time wages

are paid a statement that sets out the pay period, the hours she has worked, the wages paid for it, and any deductions that are made required by law or otherwise, and the net pay.

It is questionable you would consider hours of work driving from her home to the place of business. The fact that she has the car as a private arrangement—and it strictly is a private arrangement—wouldn't bear on the fact that she is entitled to minimum wage for the hours she spends under the control of the employer, being directed to carry out her duties. So it would be a matter of looking to see what the wage record shows. Does she agree with that as to those kinds of hours? The wage record must show that it does equal the hours times the minimum wage rate.

Ms. Bryden: Is there any lower limit in the act as to the number of hours worked? She may be working less than 25 hours a week in some cases.

Mr. Scott: It is quite possible that what she is doing would fall within the definition of a taxicab and that industry per se is exempt from certain parts of the legislation—not from minimum wage, but exempt from keeping a record of hours, I believe.

Ms. Bryden: But they wouldn't be exempt from the requirement that the employee should be provided with a pay slip stating the deductions?

Mr. Scott: No, not at all. They are required to furnish that, at the time wages are paid.

Ms. Bryden: She was very reluctant to make a complaint in her own name, as a lot of employees are, for fear she might lose her job—although she doesn't think it is a very good job. But we have phoned those details into your office, and I think it was Ms. Graydon who took the details.

Mr. Scott: Yes, she is an officer.

Ms. Bryden: But we haven't heard back, and we gave the name of the employer.

Mr. Scott: She is probably the only employee in that category, and that makes it rather difficult. Are there others?

Ms. Bryden: No, I think she said there are about 15 engaged in similar work with

similar contracts in different parts of the city.

Mr. Scott: That being the case we would certainly carry out a routine investigation. We would do employee interviews on that, and she would be one of the ones we would certainly interview.

Ms. Bryden: Except you don't have the name. She is reluctant to give her name. Can you just follow up through the employer?

Mr. Scott: We are more than likely going to see no record. So it would be rather important—not absolutely essential—to have her name if we were to substantiate her case.

Ms. Bryden: I imagine you keep the names in complete confidence from the employer as to where the complaint came from.

Mr. Scott: We certainly do, yes.

[1:45]

Ms. Bryden: I tried to reassure her to that effect but, as you can understand, employees are pretty reluctant to make complaints.

Mr. Scott: Do you think she would come in and be interviewed—perhaps by Keith Armstrong or myself?

Ms. Bryden: I tried to persuade her to go down and she thought she first would like us to try the route of giving you the name of the employer and having you look to see if there was a case. But I think we might be able to persuade her if you would let my office know after you've investigated it.

Mr. Scott: Yes, fine, okay.

Ms. Bryden: Thank you.

Mr. Bounsall: Just two points, very briefly: you mentioned your shortage of staff and your request to increase it. Do your staff and field officers have any opportunity to go on an organized inspection of certain sectors of the work force just as a general review, outside of the complaints?

Mr. Scott: It would be very limited if we carried out a program like that. We don't have enough staff. We are reacting mainly on the basis of complaints.

Mr. Bounsall: It's mainly a reactive—

Mr. Scott: We do the odd routine where the complaint is located a fair distance away and we are there to resolve the matter, and spend some time there. We would then carry out some routines, but that's about the only opportunity we have for doing that.

Mr. Bounsall: By carrying out routines, do you mean routine with that particular employer?

Mr. Scott: No, other employers in the area.

Mr. Bounsall: Other employers in the vicinity?

Mr. Scott: That's right. And if we routines, we try to concentrate them on number of industries that we have designated as the problem industries where there would be liable to be violations under the standards.

Mr. Bounsall: Could you share with the committee whom you have in the front of your mind as problem groups of industries?

Mr. Scott: Service industries. We do have problems in the garage industry. There's the small parts industry. Domestic, and some of those areas. The marginal industries, what we are talking about.

Mr. Bounsall: There's no question you need the staff if you are to do this kind of program on an ongoing basis. I don't want to bring up specifics here but there seems to be a fair number of complaints in Windsor and I hear the odd complaint from other areas in the province—again in the service industry in the restaurant area. I think as a group they comprise most of my complaints in a given year.

The complaints tend to be in the area of vacations. Either the owners don't pay them or they forget to pay them or the employee doesn't just happen to receive the vacation time off as well.

I urge an employee to take a complaint to the employment standards board and to think about it and don't. These are often people who work 20 to 30 hours a week in a given restaurant and they haven't received vacation pay. I say, "Hey, that's a violation." They may have had some conversations from time to time with their employer on it, maybe one or two over a three or four-year period even, and that has not resulted in anything. I urge them to contact your branch and they usually back out. I suppose I should take up that complaint on one or two more eating establishments in Windsor. But I get the feeling that if I followed them up and complained on their behalf, I would fast run out of any restaurant in Windsor in which I could eat.

Mr. Scott: Safely.

Mr. Bounsall: That shouldn't hold me up. I perhaps will start putting them through, even though the individual employee is reluctant. But my perception is that there seems to be a problem in the restaurant field in the area of giving vacations or payment in lieu thereof. This is one of the areas which, as you get your staff, perhaps you could survey. There are a lot of restaurants, I know.

Mr. Scott: Mr. Bounsall, I hesitate to commit the branch to any organized blitz in the

Windsor area. However, the southwest part of Ontario is possibly in the best shape of any part of Ontario from the viewpoint of work load. It's possible we could convenience you by saying here with a limited number of calls to see what we can do for that particular industry.

Mr. Bounsall: Perhaps what I should do is look into my case files, even though I have reluctant witnesses, and give you the names of a restaurant or two and simply ask you to look at their books.

Mr. Scott: Fine.

Mr. Bounsall: The other thing is an area in which you just responded to me. I was a little disappointed in your letter—this relates to the hospital situation in Windsor—

Mr. Scott: The most recent one?

Mr. Bounsall: Yes, the most recent one; again, it is in the vacations area. I was a little disappointed, even though they have a bargaining agent and they are grieving the situation, and you do have this section of the act which should be left there. The question—your you referred to it as well—finally was a very direct one.

When you have an employer trying to adjust current vacations because of what the employer thinks to have found in the granting of vacations in the past, exactly what is the period of time they should be allowed to go back? In your answer, you say where there has been an overpayment of vacations, and if this has occurred as a result of an error, the employer may recapture the overpayment within a reasonable time frame. My point is, what would your branch call a reasonable time frame in which they could go back and recollecting that? This would assume that the employer could make the case—and that's very clear yet either, because of the way the records were kept and so that clouds the whole thing. But can they go back four years?

Mr. Scott: No.

Mr. Bounsall: Can they go back seven years?

Mr. Scott: No.

Mr. Bounsall: That would be very helpful to the people involved in the situation now, because they do have those cases.

Mr. Scott: The legislation clearly prohibits a deduction you're talking about if it is only for recapturing of vacation pay. However, if it is purely an oversight on the part of management and is discovered within a short period of time after the pay period, then the employer, by properly notifying the employee of what he is doing, can readjust the wages.

But we don't agree that, six months after that has happened, he can then say to the employee, "Look, I'm going back and adjusting your wages because of something that happened six, eight, or 10 months back." As to the period of time over which we would be able to go back under the legislation, of course, that's two years.

Mr. Bounsall: That would be very helpful in this situation, even though it's in the grievance stage. What they're doing is looking at the nursing records kept by the nursing office and saying, "Look, it appears to us that in 1974 you got two extra days' paid vacation over and above what you should have had." In one case they've gone back seven years. When their vacations came up this summer, those days were deducted from their vacations. That's the point: How far back can they go? You say it's two years at the most in making that adjustment now?

Mr. Scott: Making the adjustment under something negotiated in the collective agreement is one thing.

Mr. Bounsall: During some of that period I don't think there was a collective agreement.

Mr. Scott: I thought you said it was a grievance through to arbitration.

Mr. Bounsall: It is the local branch of the Ontario Nurses Association that is dealing with, at the moment, the fact that on this year's vacation they are deducting days on vacation from other years. But the ONA hasn't been in existence—

Mr. Scott: Or for an overpayment that possibly has happened four, five or six years ago. Is that what you're saying?

Mr. Bounsall: That's right. It's a case of wanting to get from the branch what you mean when you say "a reasonable time frame." How many years can someone go back and do that, whether or not it's provable? Let's say it is provable. Let's say they do discover that in 1974, according to all records and the recollection of the nursing supervisors and the nurse involved, she did get two extra days vacation. Can they say in the summer of 1978 they're deducting two days from her normally allotted and agreed-upon vacation?

Mr. Scott: May I respond in this way? We have a policy set down with respect to matters such as that where there is a grievance procedure or an arbitration procedure. That is not to say the employees will be denied rights under the legislation, but if it's in that stage it would go that route. Once he elects to go the route of arbitration, he is taking himself out in a sense from the benefit

of the legislation. That's a policy that we have set down with the agreement of—

Mr. Bounsall: They would have preferred not to in this case, but they felt that that was the only alternative they had when there were some delays when they initially contacted the employment standards branch, I believe, in Windsor. Leaving that point aside, surely there must be—and this was the point of my letter of October 31 to you—if not a policy then something that says they cannot go back beyond a certain number of years in adjusting for errors, presumably made back then, in their vacations for this year. Are you saying, no, they can go back if they discover something 15 years ago, whether there is a grievance procedure or not?

Mr. Scott: Yes, we would not agree that the employer could go back the period of time you're suggesting or that you're saying they're doing. But the matter is in the grievance and arbitration stage now. I realize what you say about its not being so when they first came to the branch, but it is in that particular stage. I would hesitate to interfere at this point in time in that particular case until the arbitrator has dealt with the matter. I don't know what he would agree to as to what they can or how far back they can reach to recapture overpayments on the basis of recapturing them.

Putting that case aside, there was legislation that prohibits that form of a deduction where there was an overpayment for vacation pay in one particular year which is recaptured in the succeeding year or from a vacation period. We have accepted by policy that, where an employer has clearly made a mistake and has advised the employee within a short period of time after the mistake was made, he can adjust the wage records. We don't consider that as a deduction that is prohibited in the legislation.

Mr. Bounsall: With respect to that short period, do you mean within six months?

Mr. Scott: Oh, definitely so, yes. I think the employee has to be told shortly after it has happened, within a pay period of that happening or however their accounting discovers it. But for the employer to discover a year later that there was an accounting mistake a way back, we would not accept that the employer has a unilateral right to go back and make that deduction.

Mr. Bounsall: Thank you.

Mr. Chairman: Are there any further discussions on vote 2305?

Ms. Bryden: No, though we hope the minister will take under advisement the request for greatly increased staff in this area, cause all the cases coming into our office clearly indicate there is a need.

Vote 2305 agreed to.

On vote 2306, Ontario Manpower Coordinating Committee program:

Mr. Bounsall: I just wanted to ask the ministry how many manpower training or retraining programs it is involved with at the moment—not how many it has done in the year, but how many it has running at the moment and with whom.

Mr. Kinley: How many manpower training programs?

Mr. Bounsall: You could probably explain it more fully, but I gather you get involved in co-operation with federal Manpower trying to place employees in employment where there has been a layoff, shutdown or plant transfer.

[2:00]

Mr. Kinley: No, we are not involved in any training programs, Mr. Bounsall. The co-ordinating committee is strictly that. It has no programs except for one very small experimental one and that is the Community Employment Strategy. The activities of the committee are co-ordination activities, which try to ensure the government is effectively represented in manpower meetings of various sorts, and to ensure the programs are not overlapping or inconsistent in any way. This type of activity is the central thing we focus on and we do that, of course, through the committee of deputy ministers.

Mr. Bounsall: Let me phrase it this way. I have difficulty seeing where the activity produces much in the way of employment or helps the people who are in need of employment because of whatever has occurred, a shutdown or a transfer. We have some feelings on these situations and they should be handled in other ways, such as offering employees employment at the newly located site and so on. I have difficulty just seeing in what way your role is very useful, one.

You say it is a co-ordinating committee of the deputy ministers. What do they do? How many given situations can you point to where this co-ordinating committee has, in fact, materially been able to assist a person or persons who have been looking for work, have lost work under a plant shutdown or plant relocation circumstances, or really effectively assisted them in obtaining employment? Just what on earth do you do?

Mr. Kinley: Let me try to address that. As I indicated, the committee has no program responsibility. Program responsibilities reside in the various ministries. I suppose with the illustration you are citing most likely there, that is the one of plant shutdowns, to the extent there is a service on that, it is in the branch on which you just completed the vote, that is the manpower adjustment service. There are other services of the government that may help in such situations, such as Industry and Tourism, but that I think is the principal one that ties in with that particular illustration.

Now in response to what we do, we are essentially a development agency. I think the accomplishment we can cite as being perhaps more important over the last few years would be getting the labour market information unit established. Again, the labour market information unit does not report to the secretariat or to the committee, although the committee has a review responsibility there. The labour market information unit reports through the ministry and is in the research branch of the ministry.

The Skills for Jobs conference of last year was eventually given to the secretariat as a responsibility. It was organized by the secretariat and the work that has been done since has been done that way. The CACC has a responsibility for seeing the proposals made at the Skills for Jobs conference are recognized and responded to by the government. It is really a policy agency which more than a placement agency or anything of that nature.

Mr. Bounsall: Let's zero in on one part of it then. In your policy creation, under job creation—

Mr. Kinley: May I respond on that one?

Mr. Bounsall: Yes. You're supposed to be developing direct job-creation policies and ideas.

Mr. Kinley: Yes.

Mr. Bounsall: Recently in the House we had the Treasurer (Mr. F. S. Miller) indicating that because the federal Liberals have done nothing about job creation in their budgets Ontario may consider doing something. That's all pretty tentative, but I assume the group to which he would turn would be your division, the job creation section thereof, and say, "What are your ideas? What are your recommendations re the development of job creation?"

Mr. Kinley: Our job creation section is part of two people's time.

Mr. Bounsall: I hope they've been active.

Mr. Kinley: What we have done in this area I think has some considerable influence on federal job creation policy. We have worked on this. It's a gradual process. The government has not been terribly impressed with the Canada Works, LIP type of program and held very strong views that job creation moneys should be spent in ways that are likely to generate longer-term employment and hopefully to develop the people who are in the jobs created so that they can get permanent private sector or public sector jobs.

We have made strong representations, and successive representations, to the federal people in this area. If you looked at the employment strategy that came out on September 1, I think you would see it is a very different approach to job creation from the one that came out in October 1976. The federal people themselves give us considerable credit for changing their point of view to the direction it's going at the moment, and that is to trying to make more productive employment in job creation.

In the specifics, again we do not have a program but we do work on experimental projects. Currently, I'm sure you're aware there is an effort being made to use unemployment insurance funds to provide work, to pay wages. The federal people provided for that in section 38 of the Unemployment Insurance Act and are willing to operate a couple of experimental projects in Ontario. We are currently trying to develop these. If this works out, it will be strictly on a voluntary basis. It will benefit the unemployment insurance recipient in that he will have a longer period of benefits and higher rates of compensation. I think on the whole it is a worthwhile thing to do.

We are working as well with other ministries to develop job creation projects that may fall outside the scope of CEIC financing.

Mr. Bounsall: What kind of financing?

Mr. Kinley: The federal Manpower department, the Canada Employment and Immigration Commission.

Mr. Bounsall: What particular project or studies are you working on now? You mentioned several that are experimental?

Mr. Kinley: One we hope will be developed in the area of highway clearance and one in farm drainage. There is one quite well advanced in forest management. It looks like quite a promising one. Unfortunately it changed ministries on the federal side. I think it would be in operation by now but in the shifts that occurred after the August constraints at the federal level the responsi-

bility was changed and it has been delayed a bit there.

Mr. Bounsall: By forest management, what does that mean other than replanting?

Mr. Kinley: It means getting up to about 800 to 1,000 professional foresters and technicians into employment, mainly with the major forest operating companies, such as the pulp and paper companies and some lumber companies. This is intended to develop the capacity of these companies to handle their own reforestation activities—forest regeneration activities, I suppose, generally—and at the same time we see this as being a source or a way of the company being put in the position to employ other people who may not be at the professional or technical level but who need work part of the year or perhaps the whole year in less skilled forestry work.

Mr. Bounsall: You say that this program hasn't been embarked upon as a federal project?

Mr. Kinley: It hasn't moved yet. We thought we had it just about in place I think at the end of August, first of September, but there has been a delay as a result of that, as far as we can find out.

Mr. Bounsall: What would this have involved? Would this have meant direct government expenditure grants to the companies to employ these technicians and foresters?

Mr. Kinley: That's right.

Mr. Mackenzie: Could you give us some details on the one program you mentioned?

Mr. Kinley: The community employment strategy? The community employment strategy is again an experimental program or we wouldn't have it. Its objective is to get hard-to-employ people, if you want to describe them that way, people with some handicap or people who just have a difficulty in getting and holding a job, into permanent employment.

We started the exploratory work on it in April 1976. It was set up by the end of that year in four different communities in the province, Hamilton-Wentworth being one, and three in the northwest, the Rainy River-Fort Frances area, an Indian reserve, Big Trout Lake, and in the Geraldton-Long Lac-Nakina area. The boundaries of these areas are imprecise.

It has been an effort to get communities to organize themselves, with some government assistance, to meet this sort of unemployment problem, that is of the hard-to-employ people. Local committees were established in each of these communities or areas and each of the committees was asked to come up with

a program, first, I should say, to select target groups within the general group of hard-to-employ and then come up with programs for getting them into employment.

This has been a slow progress but it has been a fairly encouraging one. The communities have done quite a good job in determining who they wanted to service and developing ideas as to how they might employ people. In the reserve it was the whole reserve population there, the target group but in Fort Frances-Rainy River I think it was youth and two reserves, in Geraldton it was welfare mothers and one reserve and youth group, and in Hamilton it is also welfare mothers and a youth group.

Mr. Mackenzie: Can you tell me how many people are involved in it in Hamilton-Wentworth?

Mr. Kinley: I don't think I can give you a specific figure on that. It depends on what you mean by involvement. There is a tremendous number of people involved in Hamilton-Wentworth in the community organization. That is one thing.

[2:15]

Mr. Mackenzie: No, I'm talking about this program. As I recall, in the last estimates it was one of the areas where we hoped there were some real possibilities in terms of getting to the people. How many people have gone through the program? Or how many have you been able to place as a result of the program?

Mr. Kinley: In Hamilton-Wentworth I think we have placed 20 to 25 young people in the paper and cardboard reclamation activity.

Mr. Mackenzie: Is that on a temporary basis, for so many months?

Mr. Kinley: No. Those are jobs they can hold until they can move on to a permanent job if they wish. A number of those people have moved on to permanent jobs. Some have just left the activity. Some have stayed on with the garbage reclamation activity itself for a fairly extended period. In addition to that, the activity is not entirely focused on employment. It is getting people prepared for employment as well.

Mr. Mackenzie: Are there any more than the 20 to 25?

Mr. Kinley: In the Hamilton area I don't believe there is anyone else employed directly as a result.

Mr. Mackenzie: You say it shows promising results. We launched it, with a fair amount of discussion, at least a year ago. You have, in effect, placed 20 to 25 young people.

are dealing, I understand, with the more difficult to employ people. How do you measure it in terms of success? Recognizing it is a pilot project, it doesn't seem to be very overwhelming.

Mr. Kinley: No, it is not overwhelming. One of the things we have to say in response to that is that it has taken considerably longer to get the thing moving than we originally expected. The principal reason for that is that the community employment strategy was designed as a program for the hard-to-employ at the time of a fairly buoyant sort of economy. Jobs were available. The simple facts are that in Hamilton-Wentworth it has not been easy to move people directly into employment with the private sector.

Mr. Mackenzie: I have found that myself.

Mr. Kinley: Yes, there has been real resistance by some groups, as you probably know. We have had to resort to developmental activities. Of course, the paper and cardboard salvage activity is one of those. If we are assessed on the basis of actual numbers employed at the moment I don't think we could really say the program has been wildly successful. I don't think it has been disastrous.

At the end of August, as I recall the figures, we had 40 people in permanent jobs in a four of the areas; we had 26 people in still training and just about job ready; we had almost 100 people in various stages of training that appeared to arise because of the CES activity; and we had employed for somewhere from six to 26 weeks—I would have to make a guess at this, but in Big Trout Lake alone in a given period we had 20 odd people employed in temporary jobs in that way. Over the period the program has been in place I would say 50 to 60 people have had employment of that nature.

That is assessing the program entirely on employment, which I think at this stage is not quite the right way to assess it. The simple facts are that we have been able to develop a fairly extensive community involvement and interest in providing employment to these people, and the communities have taken hold and expressed a very strong interest in continuing this strategy activity. I think that has to be considered as one of the major benefits of the effort to date.

We have had an evaluation of the process, and that was completed at the end of August. Perhaps not surprisingly, I suppose, it was judged a success in terms of process itself. We expect to have an evaluation, in terms of the harder criteria that are of more interest to you, by the end of June or at the latest by the end of the summer in 1979.

Hon. Mr. Elgie: I think it would be fair to say that the federal government has abandoned the other Community Employment Strategy projects throughout the country and these have been the only four that have been deemed by their investigators to be successful ones as pilot projects. We appreciate that it's a small endeavour, but it is a pilot project which is successful at the level it's working at.

I think it also might be of interest to know that I was talking to one of the chairmen—I don't want to get into where he was from—who indicated that the enthusiasm they had was such that, even if funding ended, they wanted to continue on with the project and felt they could raise any money required locally, from private sources, as long as we provided backup facilities.

Mr. Mackenzie: In effect, are you thinking of ending the funding?

Hon. Mr. Elgie: The federal government has extended its funding until the evaluation period is over; then we'll have to decide where we go from there. And they didn't do that with any of the other projects.

Mr. Wildman: When is that? When will the evaluation period be over?

Mr. Kinley: We hope to have it completed at the end of June, but it may not be quite that soon.

Mr. Eakins: I was very interested in your remarks, Mr. Kinley; I just want to ask a couple of quick questions. You mention the possibility of creating employment for upwards of 800 to 1,000 technicians. Do you have any idea how many technicians are available for work at the present time or looking to become involved in the work they were trained for, especially through our community colleges? I'm thinking in particular of Sir Sandford Fleming College, which is a natural resource centre at Lindsay.

Mr. Kinley: I don't have that figure at my fingertips at the moment, sir. It was discussed at the time we developed the reforestation project. The people in the Ministry of Natural Resources, which is the ministry responsible for the program, were estimating that over the past three or four years a large proportion of the people coming through both the degree and technician programs had not found employment; this was wasted training in a sense, and they wanted to get them into employment. Then I think they see a level of somewhere in the vicinity of 100—but don't quote me on that figure; I'll get it for you—annually for five years.

Mr. Eakins: I think it's an excellent program. One of the problems is that the techni-

cians and others graduating from the natural resource schools have had difficulty getting some initial experience, and of course the ministry has been cutting down the number that it has been taking in. Will these technicians and others be looking for employment mainly through private enterprise? Or will you be assisting the ministry to involve more people within the ministry to carry out some of their programs?

Mr. Kinley: The scheme at the moment is to put these people into private enterprise. But the companies will have a subsidy of up to \$8 an hour to get this going.

Mr. Mackenzie: It's called socialism for private enterprise.

Mr. Eakins: That's a pretty good subsidy.

Mr. Kinley: Then the idea is that they will become permanent staff members of those private firms.

Mr. Eakins: Where do the hard to employ fit in? There was some mention of the hard to employ.

Mr. Kinley: I mentioned that as a term to describe the broad target group to which the Community Employment Strategy program is directed.

Mr. Eakins: I see.

Mr. Kinley: The individual community committees select the particular groups they want to try to work with in this experimental activity. But it's within the general umbrella of hard to employ.

Mr. Eakins: I just have one other quick question. How involved are you in the job-readiness program or is that pretty well federally oriented at the present time?

Mr. Kinley: We are not directly involved as a co-ordinating agency.

Mr. Eakins: Are you planning to become involved in the job-readiness program?

Mr. Kinley: A lot of that is operated through provincial agencies. We are heavily involved in that way, it's mainly in Colleges and Universities.

Mr. Eakins: Can you say to date how effective that type of program is?

Mr. Kinley: My closest experience with it is in the Community Employment Strategy work where I've had a direct responsibility. We have used it there and it has very definitely helped some people in the Geraldton area and the Fort Frances-Rainy River area to get jobs. It's not a large number—these were groups of six to 12 people. But we've had some modest success there, no doubt about it.

Mr. Eakins: That's good.

Mr. McClellan: Mr. Minister, since your cabinet colleague Gordon Walker has chosen to shoot his mouth off again in today's Star with respect to the issue of what he calls "workfare," that is to say compulsory labour in exchange for welfare benefits, let me ask you not to discuss Mr. Walker's idiotic views, but rather whether your manpower co-ordinating committee has an involvement with the project to provide employment instead of welfare for welfare recipients in the regional municipality of Niagara.

Hon. Mr. Elgie: No, I don't think we have any involvement in that at all.

Mr. McClellan: Is there a provincial involvement in that project or is it exclusively a municipal interest?

Mr. Kinley: I'm not aware that there is any provincial involvement.

Mr. McClellan: Is the minister aware of the difficulties that project seems to be running into because the 26 men who are being employed in providing services for senior citizens have chosen to seek the protection of a collective agreement?

Hon. Mr. Elgie: Just what I've read in the papers, I've had no direct referral to the ministry nor do I believe manpower has had any referrals about that problem.

Mr. McClellan: This seems to be a successful project. It seems to be a very good way of going about solving, through job creation, the problem of unemployed people who are on welfare but who obviously would rather work. You are aware that this project is in difficulty because of the fact they have achieved a collective agreement.

Hon. Mr. Elgie: Because of the municipality's response to the fact they have certification.

Mr. McClellan: Certification, yes; my error—certification. What action does the ministry intend to take on the two issues? Immediately, with respect to the manpower co-ordinating committee, what action do you intend to take to try to provide provincial help to this apparently very good project to make sure it continues and doesn't collapse?

Mr. T. E. Armstrong: I don't know whether I could usefully add anything. Like the minister, I have read the paper, including the Globe and Mail editorial. Mr. Aynsley is quoted as saying that pursuant to the certificate, he intends to negotiate an agreement and sees no reason why that very worthy project should come to an end because of it. No representations have been made to the ministry to assist in that process to my knowledge.

age. I assume that at the appropriate stage, if necessary, our conciliation officers would be involved. Apart from the newspaper reports, that's all I've heard about it.

[30]

Mr. McClellan: Leaving aside the issue of labour-management relations, I'm puzzled as to why there hasn't been a provincial involvement in this project or in similar kinds of projects in other municipalities by the manpower co-ordinating committee. It seems to be a natural kind of role for the committee to play.

Mr. Kinley: To date there has not. It's a good suggestion.

Mr. McClellan: It's not an entirely novel suggestion. I've forgotten the name of the gentleman who did a study for the Ontario government six or seven years ago, recommending a major program of jobs creation in aid of people who are on general welfare assistance by virtue of their inability to find jobs. This isn't something that has engaged the attention of the Ontario Manpower Co-ordinating Committee?

Hon. Mr. Elgie: No. There's some involvement with that in Community and Social Services, as I'm sure you know. Mr. Norton has an interest in that. But it has never been a matter that was within this ministry.

Mr. McClellan: I don't know what the relationship of the manpower co-ordinating committee is to Community and Social Services, which is why I'm asking these questions. Is there any involvement with Community and Social Services concerning any projects in aid of jobs creation?

Mr. Kinley: There has been some. The ministries tend to get involved directly in their own projects and some of these activities are closer to the co-ordinating committee than others. The Ministry of Community and Social Services has a program going along with the Canada Employment and Immigration Commission or Manpower to get Family Benefits Act mothers here in Toronto into employment and I think this has been a fairly successful activity.

Mr. McClellan: Agreed.

Mr. Kinley: More recently with respect to the changes in the Unemployment Insurance Act, there has been close co-operation between the Ministry of Community and Social Services and the co-ordinating committee in developing government responses to the changes and this type of thing.

Mr. McClellan: Has your committee been working down with the Ministry of Community and Social Services and looking at some of

the impediments to employment that exist in the family benefits legislation, impediments such as a restriction on the number of hours that a single-parent mother can work, restrictions on the permissible earnings under the Family Benefits Act, the taxback rate on earnings of single-parent mothers? Is there interministerial work taking place on provisions in the act which serve to render single-parent mothers unemployable?

Mr. Kinley: There has been an effort to deal with some of those points. I can't vouch that we tried to cover all the points you raised, but we have been working on an effort to make employment an alternative to taking welfare for those people who are capable of employment.

Mr. McClellan: And so choose.

Mr. Kinley: And so choose, exactly. At this moment I'm not in a position to say precisely where the activity stands, but this has been a very positive development in the past few months.

Mr. Mackenzie: A supplementary on that to the minister, because I think you touched on one of the areas that has concerned us for a long time and that's the fact that there's not really an incentive, particularly to a single-parent mother, to try to get into some employment and boost the income because of the limits put on what she can earn. If you are working on a percentage basis, that may be something that belongs more with ComSoc, but I also think, as in the day-care discussion we had earlier, there is an argument that it is a Ministry of Labour responsibility. Do we have some commitment, Mr. Minister, that the broadening of the earning power would be pushed for the very argument that is made here, that we are attempting to get people to see the employment, where they are capable of it, and the earnings to be a route other than total reliance on welfare? Just how far are you prepared to push this also?

Hon. Mr. Elgie: I certainly support that principle and will do so at that committee level.

Mr. McClellan: Let me very quickly make three suggestions with respect to the Family Benefits Act. The number of permissible hours that a woman can work is 130 hours a month. Now, if you raise that to 160 hours a month you are talking about a regular month's employment, so it's just far enough off full-time work as to render a person non-competitive in the job market.

Secondly, the permissible exemption is only \$100 and after that the tax-back rate is 70 per cent. So for every dollar that a

person earns over the \$100 exemption they get to keep 30 cents.

Mr. Chairman: I don't see what this has to do with vote 2306. You're dealing with ComSoc really, not—

Mr. McClellan: Well, vote 2306, Mr. Chairman, deals with the Ontario Manpower Co-ordinating Committee, which co-ordinates the manpower activities of the various ministries of the Ontario government.

Mr. Chairman: The various ministries, but it has nothing to do with Community and Social Services. What you are basically discussing now is Community and Social Services.

Mr. McClellan: One of those ministries is Community and Social Services, and I am making a suggestion to the minister who is in charge of the Ontario Manpower Co-ordinating Committee that he sit down with some of his colleagues within the context of the Ontario Manpower Co-ordinating Committee and try to develop, first, a series of changes to the legislation which now serves to render single-parent women on family benefits unemployable; and, second, to pursue the urgent necessity of a major jobs creation program for single-parent mothers on family benefits.

I think this is the largest single group of people on provincial benefits allowances. It is certainly the fastest-growing group on provincial benefits allowances. It is a very alarming phenomenon that there are simply so many single-parent mothers and their families on family benefits allowance in a condition of poverty in this province.

It goes back to a point I made earlier in the estimates that I see employment and jobs as the way out of the poverty trap, but it needs government leadership and government commitment to large-scale job creation programs, through the creation of employment opportunities, the removal of legislative barriers, and the provision of a number of support services—day care, vocational training, vocational counselling and job placement services. That is your role, Mr. Minister. You are the minister in charge of Ontario's manpower policy. And there is a special role for an Ontario manpower program, I believe, with respect to particularly disadvantaged populations. Again, we talked about that earlier in the estimates.

The federal Manpower program is not designed to serve the needs of people who cannot compete in a normal way in the economy. That is not their job. That is not their mandate. Their job is to place com-

petitive people in slots that are available in the economy.

There is a provincial role in the manpower field which is to design policies and programs for the people who are non-competitive, who are disadvantaged, who are excluded, who can't just be matched employee-to-vacant-job-slot but need a whole lot of ancillary support services and, more importantly, they need government leadership to create jobs and job opportunities for them.

I don't see Ontario making any real progress in this area. I think you are the first minister we have ever had who can understand this need and exercise the kind of leadership to bring that new policy direction about. There are still a number of areas where you are in receipt of the benefit. I doubt, if I can use that phrase. This is one of those areas and we will be watching you—

Hon. Mr. Elgie: There are areas of limited mutual respect, is that what you are saying?

Mr. Mackenzie: Well put.

Mr. McClellan: We will be watching to see what you do on this.

Hon. Mr. Elgie: I will be watching you too.

Mr. Mackenzie: In this case I don't think it is a question of you watching us because you are in the driver's seat, Mr. Minister.

I want to underline, with the chairman of the committee, that there is a very direct connection here. I think you will notice the emphasis we have been trying to put in the discussion all the way through issue like this is on the job possibilities and the fact that what we want, wherever it is possible, is work for people.

I can't foresee that the calls or problems you will get in your constituency in the north are any different from mine, but in my constituency in east-end Hamilton the problems of a desire for work and jobs and the number of single-parent families are really serious problems in my constituency office, in trying to deal with the problems the people have.

Many of them would like to work. Many of them also find the limitations on earnings, where they can find even limited employment, a real drawback. It seems to me that if we are going to get out of this bind one of the areas we look at is manpower programs that in some way encourage the employment of these people and their ability to at least start earning some money before they are cut back immediately so they can get into some full-time employment.

I guess it is one of the reasons I am a little bit concerned; I understand it. I really haven't had very much faith in the kind of job programs we have tried to outline. I think my observation is a valid one. It may be that it is really not under the Ministry of Labour, I'm not sure; but we have \$237,000, which is the tiniest section of the whole budget and one third of the next smallest section. So certainly in terms of what we are spending and of a staff of six people including two economists, we are not into a major area in the Ministry of Labour in this particular field. I am not at all sure we shouldn't be, because there are some successes. They are limited, just as your employment program hasn't really set the world afire yet, and people are still hoping it is worth a little more in the Hamilton area.

I think the job-readiness training program is useful. When you talked about the success in that, once again there were limited numbers, but unless my information is incorrect, the last two quarters saw about a 60 per cent hiring rate in the 60-odd people who were involved at Mohawk.

You are dealing with people who have had trouble getting employment, who are really at the bottom end of the stick for any number of reasons, attitudinal or otherwise; they have almost become locked into the whole welfare syndrome. You get a program that is successful, and then you see, as has just happened, the federal government cut back the allowances there from \$45 to \$10 a week, and from \$79 to \$60 where they are living on their own, not living at home. When you talk to the people involved, as I have done with a good number of them—I have gone up to the school and talked to them—you find they are okay until the end of this particular session, but they wouldn't be in it next session around. I suspect the program is dead, in fact, because of the cuts that have been made by the federal government.

That is not a lot of dollars—although anything is a lot of dollars, I guess—in terms of getting people out of something we are going to be paying for for the rest of our lives if we don't do something about it. I recognize that everything revolves around dollars to some extent, but you wonder why this government hasn't decided to take a look at taking over that program, or expanding the ones that are involved in.

I think some basic economic planning of our whole industry in the province probably has a bigger answer, but I am talking now about the people we have problems with, the hard-core people, in terms of employing them. The programs that are there, like the

job readiness training program, are going down the drain. Our commitment in this particular budget is \$237,000 which, as I said earlier, is sure as hell not going to do very much.

It has to be broadened out. I think it has to be a little more than just what you have told us. Whether it is totally your responsibility or not, Mr. Minister, I think the arguments made by my colleague are valid arguments. What do we do in areas where there could be some real success in terms of what we do spend on these people?

Hon. Mr. Elgie: Mr. Kinley, you had some remarks you wanted to make.

Mr. Kinley: I was just going to say that that \$237,000 is merely for the support of the secretariat for the OMCC. There are funds in other areas that are devoted to youth employment and training and this sort of thing, but none of that appears in the secretariat budget.

[2:45]

Mr. Mackenzie: I recognize the argument you have made. It might pay to outline, in your brief piece, some of the tie-ins a little more directly. To my way of thinking that still doesn't answer the problem as to just where you take a look. What do you recommend in terms of a job-readiness training program? What do you recommend in the argument about which we were asking the minister, as to what extent he was willing to intervene in allowing larger earnings for single-parent families or women or others put in this kind of a category? To what extent is your manpower training program saying, "Hey, look, we have X number of single-parent families in Ontario. We have X number of them who are on welfare or other forms of assistance, who are not employed, and we have X number we know would like to work." Out of my constituency office I could give you the names of 15 or 20 who would like to work immediately if we could get them a decent job.

How are we tackling that specific problem, is really what I am asking. I recognize it. I think it ties in to some extent with some of the suggestions, once again, in the OFL brief. What kind of a registry are we keeping for manpower needs? One of the needs would be the people in this category, as well as where we need something a little more sophisticated like a skill-tool and die maker or something like that. Is that part of the manpower program vote we are voting on here?

Have we gotten into some kind of registry of what we need and where we have a sur-

plus and where the problem areas are? This is something I raised a year ago in the estimates: Have we started looking a year or two or three years in advance, as they do in some European countries, when we are going to have problems because of the type of industries and slow-downs or expansions in those industries? And are we doing the training in those areas? Are we thinking in terms of moving people around?

Does that come under this particular ministry or not? Exactly how much progress have we made in a much more long-term planning area?

Mr. Kinley: There is a response to all of that going on, I'd say, particularly in terms of what the requirements will be. Of course, the establishment of the labour market information activity is a direct response to that. The Skills for Jobs conference was held directly on the point last spring and that is influencing the labour market information activity, I think successfully, and will generate responses in the training area.

In the Ministry of Colleges and Universities there is the development of a new employer-sponsored training program for which we certainly have high hopes as being a more flexible skill development activity than we have had in the past, while at the same time involving employers heavily in the training process.

Mr. Mackenzie: How are you keeping your finger on all of that? You intend to set up that kind of registry and take a look at what might be done with the community programs or the job-readiness programs, if they are phased out, if indeed, there is to be any replacement for them. How are you doing it all with two economists and a staff of six people?

Mr. Kinley: Through a trick.

Mr. Mackenzie: With all due respect, it is exactly that kind of a big potential responsibility against that kind of a department that raises the question. I'm wondering if the minister himself would respond to that.

Hon. Mr. Elgie: About what we are doing?

Mr. Mackenzie: How do you deal with a program of the potential and size that is involved here, given the manpower and the unemployment situation in the province, with a staff of six people?

Hon. Mr. Elgie: I don't argue with you. It is a difficult problem. We have had a couple of meetings so far and it is clear there needs to be some readjustment of the whole program and the whole concept of the manpower co-ordinating committee. I certainly tell you I am quite willing, and I hope able, to take

the kind of leadership Mr. McClellan and yourself have been talking about and to bring about some of these changes.

Mr. Mackenzie: One thing about you, Mr. Minister, you are going to be known as a sympathetic minister. I just hope you can deliver on some of your admitted sympathies.

Hon. Mr. Elgie: My problem is if I deliver everything you ask me in every one-hour period, I would be here for five years. So cut down on the requests, will you?

Mr. Mackenzie: That's how far behind you are.

Hon. Mr. Elgie: Can we make a deal: so many per day?

Vote 2306 agreed to.

On vote 2307, human rights commission program:

Mr. Chairman: The minister is requesting a 10 minute recess. We will take a 10-minute coffee break, until 3 o'clock.

The committee recessed at 2:50 p.m. and resumed at 3:10 p.m.

On resumption:

Mr. Chairman: I see the minister is back from our 20-minute recess.

Hon. Mr. Elgie: Yes, I apologize, Mr. Chairman.

Mr. Chairman: Very well, we'll accept your apologies. We're on the last vote of the estimates of the Ministry of Labour, the human rights commission program.

Hon. Mr. Elgie: I'd also like to point out that Mr. Bromley Armstrong from the commission is here and Dr. Ubale.

Mr. Bounsall: How nice it is to have the chairman of the commission and some of the commissioners here. It's been years if at all since they have been here, when we've been in this portion of the Labour estimates dealing with the human rights commission. They obviously read Hansard from last year, or maybe it's Dr. Crittenden's fondness for estimates which she developed over the years that has caused her to be present to lead the group.

I'm glad to see them here because I understand that one of the things which the members of the commission have done this year as opposed to what's happened in the past has been to take on particular areas of interest themselves and go into them. I'd like to hear from all of you just what it is you're doing in that particular area of interest and how that meshes with the normal working of the full-time officers of the commission.

Dr. Crittenden: The commissioners have undertaken to become involved with a pro-

gam directed toward education, a reduction of racial tensions and a concern for discriminatory practices that really do not always answer under the code. There's a very great concern that the Human Rights Code in Ontario has become quite a mature piece of legislation, but discrimination still exists in Ontario and it exists in many areas. Dr. Ubale has kindly undertaken to be the liaison with the South Asian community.

Mr. Armstrong is the liaison with the police and the labour unions. Rabbi Plaut is the vice-chairman of the commission and chairman of the subcommittee of all members of the commission. He would be here except he is conducting the funeral for the gentleman who was murdered yesterday afternoon. John Laskin is our counsel and he also is at that funeral.

Rabbi Plaut is concerned with the religious area. As you know, he is president of the Jewish Congress of Canada so he has a great deal of involvement both internationally and throughout Canada as a whole in his other roles. Canon Purcell is an Anglican clergyman from Ottawa who has headed our liaison with the clergy. You may ask: what this commission has to do with the clergy. I'll go into that in a minute or so.

I am the liaison as far as the government agencies are concerned. The only reason I'm saying I am the liaison is that I know a good deal about legislation at the government level and often I know the answers to questions the commissioners are posing. It helps to develop a faster response.

[15]

Brian Giroux is the director of education for Cochrane North and he is our liaison with the Minister of Education (Miss Spenson). As you know, our staff has been concerned for some time about the stereotypes that had been almost promoted in the textbooks in this province. At any rate, there is a study going on and our commission is deeply involved along with a commissioner who is concerned with improving the textbooks and the stereotypes in the Ministry of Education.

I was wondering if Dr. Ubale would like to tell us some of the things he has done, because he has done some very important work both with the police and with the South Asian communities. Would that be all right, Mr. Chairman?

Mr. Bounsall: Just before Dr. Ubale starts his remarks, this is a new departure for commission members, this specific area into which they're looking?

Dr. Crittenden: That's right.

Mr. Chairman: Dr. Ubale, take the mike just up at the front of us here.

Dr. Ubale: Thank you for giving me this opportunity. The main thrust this year in the commission as far as this is more of a preventive nature where we continue to implement the legislation which we have here. We are now involved in more or less social education, because in the area of race relations we have a three-policy instrument at our disposal: social education, legislation and affirmative action programs. These are the three instruments one has to use in order to combat certain problems we have.

In this area we started this year with social education and we have divided certain target areas. One of the responsibilities which I have is to initiate a training program as far as the police are concerned. We have seen over the years that relations between the visible minorities and the police have been deteriorating considerably because of the stereotyping that exists on both sides. It is not only a one-sided process; stereotyping exists on both sides.

Mr. Bounsall: Could I just ask a question at this point? Is that hostility by the police to the obvious minority groups of which you speak, the ethnic groups, more would you estimate than the general population, or is it just a reflection of the general attitude which is unfortunately there on the part of some people, or is it heightened by some factor?

Dr. Ubale: What happens is the police force reflects the composition of our population and as a result what other prejudices may exist in our society are reflected also in the police force.

Mr. Bounsall: There isn't more prejudice there or more discrimination than what you would ordinarily encounter in the general population?

Dr. Ubale: I wouldn't say more, as I said, because they reflect the existing population as such, and there is no measure to estimate the degree of discrimination that exists in the general population and that which exists in the police force, but the difference between the general population and the police force is such that the police carry the cloak of authority and therefore they have to be much more responsive than the general public as such. It is more easily identified with the police force than with other population.

Therefore, we began to initiate a training program in co-operation with the police, because you cannot just go and say: "We have come here to improve your image about people coming from other parts of the world." What we have to do is explain to the police

that we are there to assist you and as a result we are now trying to remove certain prejudices that exist in our police force as far as the visible minorities and others are concerned. This is done by a series of training programs.

Again, we have done this in consultation with the police, both at the planning level as well as at the delivery level.

The second area which we are dealing with is the industrial sector and the business sector, where now I have begun to have discussions with the various employers. What we are saying to the employers is that discrimination is as bad to the employee as it is to the employer, to the corporate sector as such, because there is a loss of productivity when you discriminate against somebody on the basis of either the sex or colour.

The man who is promoted may be relatively inefficient—for example, his productivity may be falling down because he is not qualified or his efficiencies are lower than the man who is not promoted—and the man who is not promoted is dissatisfied with the job and therefore there is also productivity lost. If we take these two productivity losses, the calculated aggregate loss is enormous for the whole economy as such, and therefore we are trying to tell the employers that there is a need for you to change your method, because again the composition of our labour force in the province has changed.

We now have people from different parts of the world with different social and economic backgrounds, and therefore we must have an atmosphere conducive to their growth. There have been certain barriers to their upward mobility in the work force. Therefore we are trying to sensitize the industrial sector to this extent. I'm having a series of discussions with the employers. I had a meeting recently with the Canadian Manufacturers' Association. They are willing to co-operate with us on this, because within say a 12-month period what we are intending to do is to ask the employer sector to just make a public announcement or at least a declaration of their policy that they are equal opportunity employers. It is their stated policy. Then we are also requesting them to set up a monitoring mechanism within each unit so that their policies filter down at the grass roots level.

It is a long-drawn-out battle but we have at least made the initial start in this regard. Also, we are moving in a neighbourhood situation because the Ontario Human Rights Commission as such cannot handle all the problems—society's problems, your problems,

my problems, everybody's problems. There has to be a social involvement in this. Therefore, we are now trying to establish a human rights committee at the municipal level, that all the problems originating in one area can be then settled by the community living in that area.

Mr. Bounsall: This is directed to the commission: How does this committee relate to your field workers? Do they report directly to the commission themselves? To a certain extent that would be duplicating the work of your field workers. How are the field workers going to interrelate with the members of the local committee that you are talking about?

Dr. Ubale: We are only at the exploratory stage. We have not yet made a decision. We are, in fact, thinking of starting one pilot project, but I'll explain how we intend to do it. Suppose we are trying to establish a pilot project in East York. We have approached the mayor of East York, who is very anxious to do this. We can have a committee of volunteers representing the labour force there, representing management, representing the education sector and representing the police.

Our field officer can then provide the with certain assistance and they can assist the field officer, so it creates a better co-operative endeavour between the commission's field officer and the local community there, not as a conflict situation or not a duplication. We are trying to give him necessary local support for him to work efficiently in the area in which he is working.

Mr. Mackenzie: Can I stop you for a minute and move you back just a bit? Pardon me for being just a little bit of a cynic, but you tell us about the conversations you have had with the Canadian Manufacturers' Association with the employers, and they agree that they will not discriminate in effect.

Dr. Ubale: No, no. I am trying to sensitize them to the need for having a program of equal opportunity in their own unit.

Mr. Mackenzie: And they are supportive?

Dr. Ubale: They are supportive of that.

Mr. Mackenzie: How do you answer me when I say I've talked to X number of employers big and small over employment for some people—I've referred to it for years now but for epileptics in particular, and I like them; I even have one or two of them strangely enough, who support me in the election and they tell me they don't discriminate at all, but the people who are able to work don't get the jobs and other people are

led over a period of X number of weeks. I can't prove a damned thing but they sure as hell haven't gone out of their way to hire some of these people. What guarantees have you got that it's more than good words and goodwill?

Dr. Ubale: For example, at the first stage we have to make the initial start. We are not approaching them saying: "Look, there is discrimination in your company and therefore we have come." What we are saying is, whether there is discrimination or not there is a need now to promote human rights in the business sector, in their own unit. As far as the active discrimination is concerned—

Mr. Mackenzie: Okay. We accept there is a need. When are you going to move it from recognizing the needs to some action on that particular need? That has always been my frustration.

Dr. Ubale: We have not even moved. This is a beginning we are making. This is a completely new area we are exploring. Therefore, for anyone to pin down when we will move from need to action would be premature at this stage because we must gain the kind of experience that we are likely to—

Mr. Mackenzie: Let me stop you again. I am not trying to be argumentative and I can't disagree at all with the moves you are making or what you are saying. The point I am making is I am damned sure the same points I have made were made long before I started here and I have been making them for three years at this point. I get a little tired of hearing, "We are moving in some of these areas," Mr. Minister.

This is not anti-this program, or your officers, or anything. I think it is a valid point, though. We are now hearing, "This is the step, this is the identification, this is the first move." What in hell has happened for the last three years, and long before that, I am sure, in some of these areas? Forgive me, but I feel a little bit angry about this particular issue. I am talking just of the association I have had for three years with it.

Dr. Ubale: When we have a case of discrimination the staff investigates. What we are involved with at this stage is initially the education program. Once we have a complaint from a complainant, our regular office staff takes the necessary action in this matter.

Mr. Bounsall: Could I also interrupt? Part of the problem here is—and I was quite interested to note the way the commissioner phrased it—that they are dealing with mature legislation, and that part of your activities is going out and expanding what the legislation doesn't cover because you have to. The

physically disabled example that was brought up here and which bothers us all is not yet covered by the legislation. That is one of the problems. We need the act amended, as promised in 1974 by the then Labour Minister, so that physical disablement and political affiliation and sexual orientation, at least to the extent of continuing in their employment, be added to the act, and all of the other recommendations that came out of the Life Together report of a year and a half ago now.

Dr. Crittenden: May I answer a question that Mr. Mackenzie posed? He said this has been brought up previously. What we, in fact, do not want the members to overlook is that there is a staff of the commission involved in community development work. What we as commissioners are attempting to do is to move another step forward into areas that in many instances have not been covered. I'll mention again what the canon is doing after this, but I don't want to overlook that the staff are continuing their direct community work as we try to move it one more step.

Mr. Mackenzie: I have never been under any misapprehension. We have a good police force, we have good social workers, we have people who have really worked hard in the human rights field. That I understand. But there seem to be some problem areas, particularly in the area of handicapped people, where we just seem to have made no real progress. There may be, I will grant you, all kinds of individual investigations, but you don't see any results in percentages or the numbers or the problems they are having in terms of employment. I see almost no results in terms of the number of epileptics who have come to me, for example with employment problems.

What I am saying is I am in full agreement with the initiatives you are taking, but I want to see some action on these particular problems. We keep raising them year after year, and it doesn't seem to be any better. It is not that I don't recognize the work going on in the ministry. Something is missing on a much broader basis in terms of dealing with the specific problems.

[3:30]

Mr. Bounsall: On this point, it was recommended in your Life Together report that the physically disabled and that whole category be added to the human rights code. From the problems which my colleague Mr. Mackenzie mentioned—and it certainly is true in my riding as well—what will be achieved by the simple adding of them to the

code? You are already trying to run the affirmative action programs with them anyway; I am sure you haven't neglected the physically disabled amongst the other disadvantaged groups in the efforts at least which the board people are making.

Although it will get rid of some questions on employment forms which have bedevilled applicants over the years, do you see any improvement coming in employment for the epileptic just by adding "physically disabled" to the human rights code? Here again you are still dealing basically with an affirmative action, change-of-attitude problem with employers generally.

Dr. Crittenden: Are you addressing that question to me or the minister?

Mr. Bounsall: Both of you, I suppose.

Hon. Mr. Elgie: I think we have to take the case of the disabled which you quite properly have raised. I think there is a need, and we are in the process of drafting new legislation to include the disabled, for example. I think that legislative background, the affirmative action program in the ministry and the outgoing educational activities are the way we have to go. If you have any other comments or suggestions, I would welcome hearing them. It takes all of those routes.

Dr. Crittenden: You also asked if we believe it will improve if they are placed in the code. Yes, it will. Once something is law, employers and the man on the street will recognize the law. Ask people for their goodwill and sometimes it isn't there. But if it is included in the law, yes, it will improve.

Mr. Mackenzie: Can I be specific, Mr. Minister? With all the recommendations here, or even those you are going to take a look at seriously, do we need to wait for that kind of an overall paper before we include the three obvious areas my colleague raised under the human rights code?

What is so difficult? Why is discrimination on the basis of disability, sexual orientation, or what have you, so difficult to bring in under legislation almost immediately while the broader outlook you are taking a look at is being worked on? In some cases at least, those people out there are suffering the longer we wait—and we have been waiting an awfully long time for some of them.

I am not really sure. I think you are right; I think the fact that it is law will help. Whether it is going to help a lot or not, I have begun to doubt just by some of the attitudes I have run into. But I think it is a help. However, it is something I don't see as very difficult in terms of legislation. Once

again, I may be looking at it in an awful simplified way, but I can't understand it long delay.

Dr. Crittenden: I know it will help being in the law. Let's go back to the seeing-eye dogs and the fact that it became law. Seeing-eye dogs to be permitted in restaurants, in hotels and on airplanes, and a person could file against a purveyor of service if they refused entry to seeing-eye dogs. There is no doubt that, as soon as that law came law, half the seeing-eye dogs were immediately allowed in restaurants; within about two or three months we did have any more complaints. At that time was in the Ministry of Community and Social Services, and the number of complaints dropped immediately because, overnight they accepted that the seeing-eye dog was entitled to a place on the plane or to go into the restaurant. The attitude may not change but the person will obey the law.

Mr. Mackenzie: Obviously I can't go back to the legislation yesterday on two or three of the things that have been probably the most obvious points for years now, but we couldn't we get it tomorrow, Mr. Minister?

Hon. Mr. Elgie: We are in the process now of a fairly extensive legislative review of the code, and a review not in the sense of re-examining things but of drafting legislation. As indicated in the House two days ago, that legislation will be submitted to the Legislature as soon as it is humanly possible.

Mr. Bounsall: I was quite interested that, that was in the minister's opening statement when we started off the estimates here—it feels like days ago now.

Mr. Wildman: It was.

Mr. Bounsall: It feels like weeks ago. I was struck at the time by how we had heard that in 1974. Of course, historical events have taken place since then. We had the then minister John MacBeth indicating there was no reason why it couldn't come forward in legislation in early 1975. Then events sort of surpassed it and the commission announced they were going on their own survey and we had to wait for the survey and the report and all the rest of it.

Having had the human rights commission survey across Ontario, their report, their draft bill, and you are at the point of drafting legislation, I see absolutely no reason why we don't have it very early in the new session. I hope—it being so long overdue—we are not disappointed.

Hon. Mr. Elgie: I can't either. I can't see why it can't be early in the new session.

Mr. Bounsall: I am glad to hear Dr. Crittenden's statement that once it is in law, whether some people believe personally in the action added or not, in her opinion it will cause complaints. I think it will.

Hon. Mr. Elgie: It certainly will help. You have to have that background to go out into the community.

Mr. Bounsall: Could I make one observation before we go any further? For the last six or seven years I have been saying—

Hon. Mr. Elgie: That's why you say it so well.

Mr. Bounsall: —in the Labour estimates under human rights that you need more field staff to deal with the complaints and the affirmative action and general education that is needed on groups within the community. It has taken a very interesting twist: rather than adding to the field staff, who have had not much more than the time to deal with problems in cases that come to your attention over the years, you have appointed commissioners. They are doing that overall educational job which you should have always had time for, and staff for, within the staff of the commission.

Dr. Crittenden: There have been nine staff members added since the summertime. I think it is time to mention a certain group: These are citizens who take their own time, of their own accord, and have a total commitment to the proposition of justice. I am talking about people like Rabbi Plaut and Canon Purcell. Because of some of the things they have been doing and the leadership they are providing, I am sorry we couldn't hire that kind of person. I think we have got to recognize this.

Mr. Bounsall: I am not criticizing your program of doing that, nor the very good efforts of the persons you have mentioned in each of their areas. This is great. But it is partially almost a necessity that you get good people of that calibre out in those areas because, although you have added nine, roughly an eight per cent increase in your permanent staff, they have never really had the time to do it. I think they have spent most of their time responding and have had a tough time keeping up with dealing with the problems that have been brought before them. There certainly have been some programs they have been able to run.

But with enough staff at the local levels to run the programs with general overall thrust. I think you need more staff for that—we could turn things around in Ontario.

I have always felt that if one really got serious in terms of an educational program right across the province—even on some extensions under the act which we hope we

will see next spring—and if that was done over a period of a few years, then perhaps one might even be able to reduce staff. You will have done the educational job which will have put the attitude in place and corrected many of the attitudes. They would have become a matter of course in terms of employment and any sorts of discrimination. The number of complaints might go down because of the attitude having been thoroughly in place.

That is requiring a little bit of looking ahead into the future as a response to your efforts, but I always thought if you had the time and the personnel, as the additional staff and the commissioners are now doing, that would be a real possibility for the future. Discrimination may, in a lot of instances, completely disappear.

I am interested in what your thoughts on that are.

Dr. Ubale: I will make a brief comment on that. I think in that way we are looking for an ideal society.

Mr. Bounsall: It won't completely disappear. But it may not require the vast efforts you're doing now to have to go to the manufacturers' association and make the point and get compliance—or any other group—if this were done with a concentrated effort over a two- or three-year period.

Dr. Ubale: Yes, but the changing of a social attitude is a long-drawn-out process. In any country—not only here, but in other parts of the world—commissions have done this work. There have been a number of problems in this area. There are no jurisdictions that could say that within the next three- or four- or five-year period we could change the whole social attitude in a particular area. Even social history has not indicated any result of that nature. But over the years we can at least reduce that level of discrimination. That is our ultimate goal of doing this.

Regarding the relations between the commissioners and the staff, it's a co-operative endeavour in the sense that we do the political cutting edge work. In certain areas, for example, field staff may not have access to the president of the company, but if the commissioner approaches the president of the company there is an easy access; there's a different atmosphere; one can negotiate very easily. Once having done that, once having got the principle agreed by the commissioner and the president of the company, then it is easy for a staff leader to institute the program.

So therefore it's a co-operative endeavour. We work very closely. We provide a backup

service to our field staff and that has been working extremely well.

Mr. B. Armstrong: I wonder if I might just try to correct Mr. Bounsall's mathematics if I could.

Mr. Bounsall: Arithmetic. There are no log terms.

Mr. B. Armstrong: Whatever. The classified positions a year ago were 49.

Hon. Mr. Elgie: His DNA wasn't working very well.

Mr. B. Armstrong: The increase that I have on the paper before me shows an increase of 10 at a salary cost of \$258,400. That's an increase of 20 per cent. Without wanting by any means to sound smug or self-satisfied, the major effort was made by the ministry in the presentation of our estimates requirements with a substantial increase over and above what already was there. I want to emphasize that by no means do we feel we have attained the ultimate objective in increasing and enhancing the capacity of the commission's staff to carry out their very important function. But I think you would have to agree we've made substantial progress over last year.

Mr. Bounsall: I apologize. I was looking at the wrong figure in the estimates, or it stuck in my mind is the wrong figure. Double the amount of staff—

Mr. B. Armstrong: I think you said eight per cent or something—

Mr. Bounsall: Yes, I was looking at—

Mr. B. Armstrong: —it's 20 per cent.

Mr. Bounsall: I had done some sums rather than looking at the total figure.

Hon. Mr. Elgie: A ready-reckoner, isn't that what—

Mr. Bounsall: I had summed some of these figures rather than looking at the overall figure. I summed the breakdowns to get the roughly 100 figure.

If we could digress from the general for a moment to a specific area, how is the commission doing in the Puretex situation? It seems to be a clear discrimination on the basis of sex in the placing of cameras. It's before the women's washroom and not the men's, and so on. Is the commission involved in that particular kind of discrimination on the basis of sex?

[3:45]

Dr. Crittenden: I will comment very briefly on the Puretex case. The Puretex case came to the commission approximately a year ago—I can't give you the right date, but it was when Dr. Symons was chairman. There was

a second hearing of the Puretex case April. At that time Rabbi Plaut was chairman. I was home with a broken foot. Both the commission under Dr. Symons and the commission hearing under Rabbi Plaut came to the same decision. At this point the case our recommendation was made to the minister. The previous recommendation was made by Dr. Symons to the former minister. It is now in their hands. I thought you needed to have the history.

Mr. McClellan: What were the recommendations made?

Hon. Mr. Elgie: That there be no board of inquiry.

Mr. McClellan: What was the basis of that decision?

Dr. Crittenden: It was a majority decision of the commission and the recommendation was made to the minister. I talked to Rabbi Plaut on the telephone last night and to him I felt it was important he be here. I said if you'd just arrange that people do go around murdering other people, I'd be there. He may still get here. However, the conversations and the decisions are not recorded by reason of the recommendation to the minister. They are a majority decision and usually a consensus decision. In fact, the decision not to recommend a board of inquiry was a majority decision. From there on, I think you'll have to ask the minister questions because it's procedural.

There is another matter—the original evidence wasn't quite as you mentioned, Mr. Bounsall. Mr. Brown, of course, is a staff member who was present at both hearings. The location of the television cameras, of course, is important to show whether there is discrimination on the basis of sex. This is a very serious problem, but the present code only covers certain areas. The use of T.V. monitors I think is a very important question and the same as the electronics surveillance of people, and the same as the use of the SIN numbers. These encroach on civil rights but they are not covered under a human rights code. I'm going to now withdraw. The minister may want to say something more about the Puretex case, but I thought you needed to know about the two commission hearings.

Mr. Mackenzie: Just before the minister does, I'd like to interject for a moment here too. I found it hard to understand the decision of the human rights commission, unless we have been totally misled. I haven't seen it.

I've seen the layouts of the plant and the locations of the cameras and the names

attached to the actual tables or machines in all positions. I have talked personally to about seven of the workers involved. I would like to see the minister, as he has done occasionally with other recommendations, will reject the recommendation because I don't think anything stinks more than that particular invasion of people's privacy. I haven't been able to find, although one may exist, another textile mill that's using it in the area at all. It does zero in more on the women than it does on the men.

I think there is any number of reasons, whether or not specifically covered, that just make it a lousy situation. That's the kind of a situation which hands ammunition to people to nail this government and some of our leaders. I don't know why we haven't moved quicker. I really sincerely hope it's one recommendation or nonrecommendation that the minister does ignore. It's the first real criticism I think I've had of the human rights people. I hope the minister does ignore it and take some action on it.

Hon. Mr. Elgie: With regard to the particular issue, the Puretex issue, as I've indicated to you and as Dr. Crittenden confirmed, the human rights commission did review that problem twice and on both occasions recommended against a board of inquiry. I met with the workers of the Puretex plant and with management and, of course, have had correspondence with the solicitor acting for the employees there. I'm led to believe she will be responding to my letter this week or to the beginning of next week, at which time I'll have to decide on the basis of the information before me and her response, whether to reject the recommendation of the human rights commission or not. I do have that prerogative.

Mr. Bounsall: It is an interesting situation. I suppose if one did find them guilty of discrimination on the basis of sex as to where the cameras were, the response could always be that they will add surveillance cameras to the men's area—

Hon. Mr. Elgie: Move them over a bit.

Mr. Bounsall: —and therefore solve the problem, which is not the solution we want. I think the commission adding to its recommendations in Life Together and your proposed legislation covering electronic surveillance as a form of discrimination under the code in terms of preventing that kind of discrimination against a human in the human rights field? You mention it clearly as a civil right, and I agree, but surely it is a human right to not be electronically surveyed.

Dr. Crittenden: It is my feeling that right now the unions in negotiating their contracts should negotiate that as an exclusion.

Mr. Mackenzie: I don't buy that at all.

Dr. Crittenden: I really think it is getting worse and worse, in my estimation.

Mr. McClellan: No union should have to negotiate such a basic issue. They shouldn't have to do that.

Dr. Crittenden: My own feeling is that there are more devices going to come on the market than we know of. You may cover one kind of intrusion, and something else is going to happen. I am very concerned that the public generally is not alert to the kind of surveillance that is going on. I don't know how law could be written to cover all the intrusions that are going on into your life and mine.

Forgetting about Puretex or about any of the things that are happening to us, I think it would be very difficult to restrict that. I don't know how you would write law to restrict it all.

Mr. Mackenzie: Let me raise one other thing with you because I think it enters into it as well. One of the early arguments of management in this particular case was that the cameras were necessary because of some pilfering or theft that was going on in the operation. I have yet to have anybody tell me on what basis they decided that some 200 immigrant women—I forget the number who are actually women—were more likely than men to commit theft or whatever they based it on, because I never found any basis whatsoever in my checking with them. That is another reason you have to wonder why the cameras are there and why they direct it on the women. I think the company is just looking for excuses at this point in time. If one of the reasons was to detect theft, on what basis are the women, almost all of whom are immigrant women there, more likely to be stealing than the men who work in the plant? My God, there are a number of questions that are raised in this particular operation.

Mr. Wildman: I noticed when Dr. Crittenden was listing the numbers of members of the commission and whom they liaise with that she did not mention the native community. I am wondering what kind of liaison you have with the various native groups in Ontario, whether it be the treaty organizations, the Union of Ontario Indians, the Iroquois and Allied Bands, the Ontario Metis and Non-Status Indian Association, the Indian Friendship Centres, or whatever. I would like to hear what kinds of contacts

you have with the native community and what work is being done in that area, which is as important in downtown Toronto as in the north.

Dr. Crittenden: I agree with you about the importance. We have on the commission a native Indian from Moosonee. As you realize, it costs more to fly from Moosonee to Toronto than from Toronto to Vancouver. It takes her five days to come down here and go back. Consequently, the kind of input we had hoped to have in connection with the native community isn't quite as it might be expected. In the meantime, Mr. Armstrong has been doing a great deal of work in northern Ontario with various native groups. Maybe he would like at this time to talk about some of the things you are doing.

Mr. McClellan: Before you start, Mr. Armstrong, who is the native commissioner? Is it Elsie Chilton?

Dr. Crittenden: Yes, from Moosonee.

Mr. B. Armstrong: I have been working with the police across the province as well as community groups which include the native people. In all our offices we have contact with native communities. For example, I've been to Thunder Bay; we work with the friendship centre there. In Kenora, we work with Treaty 3. In Timmins, we work with Treaty 9. In the southwest we work with the band in Sarnia. So we are in contact with the native communities.

I also work with the labour movement right across the province, and I go to the north, southwest and east of Ontario.

As far as the native communities are concerned, we have had meetings with them. Our offices in the north have just completed a brochure in Ojibway that is being used throughout the north. The officers in the north are constantly travelling to all the native communities and are in touch with the problems affecting them.

Some of the things we're proud about doing in visiting the north, for example, are involved with native policing on the reserves and women in the police forces in the north and other areas of Ontario. On my first trip to Thunder Bay I discovered there were no women on the force. I was there just a couple of weeks ago, and they now have four women on the force in Thunder Bay.

We are working with the communities at large, the native community and other ethnic communities, the police and the labour movement.

Mr. Mackenzie: Can I stop you for just a minute in relation to your answer to Mr. Wildman? While you're making your remarks,

perhaps you can comment on the various stories I've seen in the press—and I know no more than that about them—about attempts to have the native people do their own policing or to sign them on to the police force in those areas?

Mr. B. Armstrong: Just recently I was reading where there are 23 recruits in Aylmer and our information is that the OPP hopes the natives will be taking over all the policing of the reserves within the next five years.

Mr. Mackenzie: It's a success then?

Mr. B. Armstrong: It is a success, yes.

Mr. Wildman: The program is very much supported by the Ontario Provincial Police and generally has been a successful program on the reserves. There is some desire, of course, which you can't answer here—would have to come up under the Solicitor General's estimates—as to whether or not band constables should have the right to enforce the Highway Traffic Act and so on that is something that has to be looked at very closely.

In terms of human relations, I'm interested in what you've said about the north but what contacts have you had with organizations other than the friendship centres? Say the one in downtown Toronto for the people off the reserve? For instance, do you have regular contact with the Ontario Metis and Non-Status Indian Association?

Mr. B. Armstrong: Yes, we have contact with them. We visit them often also.

Mr. Bounsall: If I could return to Paret and to Dr. Crittenden's response, it was interesting in one additional area which I just want to mention but not particularly specify in depth; I refer to the great amount of electronic surveillance we're all subject to and how we could control it, which is an inference drawn from what you said.

Leaving that problem aside, surely one could be specific and speak to electronic surveillance in the work place in legislative terms. I know that the act is written in general sense. It prohibits discrimination on the basis of age, sex and so on, and if you tossed electronic surveillance in there along with those general terms you may well have the problem of trying to control electronic surveillance wherever it occurs in all levels in our society which, as you have implied, would be quite a problem.

But if one—in a separate section, I suppose—made electronic surveillance in the work place a prohibition so that it is narrowed down and defined electronic surveillance is allowed for a regulation so that it could

easily updated to define what electronic surveillance was, that is one way I can see being handled.

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I can see the problems with the general electronic one, because then you're worrying about the tapping of telephones—I don't care frankly, if anybody taps my telephone, another people would. I can see the general case being a problem therefore. But you would make specific reference to electronic surveillance in the work place and define electronic surveillance in the act or let it be defined and very easily updated therefore regulations.

Mr. Crittenden: I think perhaps we could see, it's more than just the television cameras. We have heard of other kinds of things happening such as devices put on the telephone to monitor the aggression in salesmen's voices. That's a kind of false way that employers might attempt to determine whether a person's meeting their quota rather than by the accepted ways of determining it. But there's a lot of it going on, and I don't know how much. I know it seems to be blossoming out across North America and probably in other countries besides North America.

Mr. Bounsall: You have mentioned another example, that way of checking up on salesmen, which you seem to decry and you imply that you'd like to see that outlawed. Isn't that electronic surveillance in the work place?

Mr. Crittenden: That is. You were saying to forget the matter of the telephone, but I'm saying the telephone should be included, too, if you're going to monitor in the work place.

Mr. Bounsall: I meant electronic surveillance in the work place to cover that kind of thing, but I could see that if you put electronic surveillance as one of the things such as age, sex, marital status, ethnic background and so on, you would be getting complaints possibly not connected with their work at all, possibly about the bugging of one's telephone, which I don't think you as a commission want to get into.

Do you do get a complaint about it as it is being used to monitor the number of salesmen's calls, or the degree of salesman's attitude and aggression that person is using, I'd like to see that covered—but not on my telephone when I'm just a normal citizen going about my business and so on. I can see where you would have real problems keeping up with the number of cases, or suspected cases, that would come in on that. But if they were reference to the work place or

the work place endeavours, I would hope the salesman would be covered.

Mr. McGuigan: As has been mentioned by myself and others, it's a year and a half since the report *Life Together*. We're waiting expectantly for the minister to bring forth these new amendments and additions to the human rights code.

I would like to say as a matter of philosophy that I don't believe the laws in themselves correct all the problems. If you care to look for an example of an aggrieved group of people who over the last generation—since I was a child, I guess—have sort of overcome it on their own, it is the Jewish people. It's not too long ago that a Jewish doctor could scarcely get admittance to a hospital. There is a story that can be told about how the Jewish people have made it largely on their own after 2,000 years.

In spite of that one example, I believe that we do need the law to set the parameters of what is accepted and what is not accepted. If I can use the example of when one might go sports fishing, and the law says you're not to take anything under eight inches, that doesn't mean that we put a game warden in every boat and check every fish that is pulled in, but it does mean that most of the people in our society look upon that eight-inch law as the norm and that that's what is expected of them, and that is what a good citizen would comply with. While I say I don't believe the law is everything, I do believe that the law is very necessary to set the examples and the parameters of the situation and what is expected of a good citizen.

Dr. Ubale was speaking about talking to heads of various corporations and so on, and I've talked to these people more in the matter of contracts regarding fruits and vegetables and things that I was selling or I was working on on behalf of farmers. It's not too hard to get agreement with some of the heads of the corporations. They're great fellows. The problem, when you go to deliver the stuff, when you try to get in the gate with a load of fruit or whatever it is, is to get by that little Caesar that you often find at the gate. So I would just point out that there's much more needed besides talking to these people. We do have to have laws to back it up.

In that regard, Mr. Minister, if I can touch on one matter that has been touched on before, the matter of electronic surveillance, I would want to say on my behalf and I think on behalf of our party that we just find this totally unacceptable. I would find

it also unacceptable that it be made a part of union negotiations. Surely we have some basic things that are regarded perhaps as holy—I guess that would be as good a word as you could get—and not be a part of a union negotiation or an arbitration proceeding under whatever act, whether it was the Labour Relations Act or the Farm Products Marketing Act or any number of acts that cover the work place and the economic situation in this province.

I would point out too that in a bargaining situation, such as has been suggested that electronic surveillance be taken out, the opposite people would put a price on it. They would say: "For certain concessions in other fields we'll take out the electronic surveillance."

Mr. Mackenzie: It's just totally dishonest, the whole bloody thing.

Mr. McGuigan: It really is totally dishonest. I remember, if I can just give you a personal example, I was on an arbitration proceeding with a canning company and they had just given us a concession that would have hurt all the small companies and would have helped the big companies. Of course, it was the big companies that were there negotiating. So on the next item that was negotiated they said: "Well, we just gave you a concession. You should now give us one." I said to the chap: "You know, you really didn't give us that concession out of a spirit of generosity." He said: "Well, there's no generosity in this business." I just want to reiterate that I don't think an item like that should be one of negotiation between employees and employers.

If I could just go back to some more specific things, yesterday, Mr. Minister, you replied in regard to my question about primacy that they had some troubles in Alberta, I think it was. I wonder if you could just elaborate on that and tell us a little more about it?

Hon. Mr. Elgie: I think on the general question of primacy we must make sure we understand what primacy means. It means that the human rights code takes precedence over all other legislation. Just as an example, with Bill 136 that we've talked about in the Legislature, section 6 was the primacy section which gave it precedence over all other legislation and allowed discrimination.

The difficulty that one would face in that particular bill is that the human right would be in contravention of the human rights code. That's just one example of a situation where a primacy section and the human rights code might give one some trouble. I am not say-

ing that it isn't something we will eventually give serious consideration to. I am just saying we should all know there are lots of problems related to a primacy section and we have to give them all points of view.

Mr. McGuigan: To be specific, allowance could be made for particular acts where there might be some valid reason.

Hon. Mr. Elgie: One approach is general exemptions and specific exemptions granted by the commission or as part of the legislation or regulations. There are a great variety of things that one has to consider and which we have to face. I just want you to understand that it's not an easy problem.

Mr. McGuigan: I have only run into one particular case in my short time in this position. It had to do with health. A lady had applied for a job and been accepted on probationary basis. They asked to have an X-ray on her back. The lady was about 40 years old. She provided the X-ray of her back, but, unfortunately, there also existed in the hospital an X-ray that had been taken three years previously in 1975 as a result of a fall. They compared the two X-rays and said there had been some deterioration in the three-year period. I questioned whether or not they had the right to look at those X-rays that were three years old, but the answer was that they did have the right.

Hon. Mr. Elgie: The same patient went to the doctor with a second problem?

Mr. McGuigan: To the same radiologist, not the same doctor.

Hon. Mr. Elgie: You are suggesting it's an invasion of privacy to review the X-rays of a patient who consults you again with another problem in the same area?

Mr. McGuigan: That isn't really what I wanted to bring up. That's really a separate problem. I advised the people to go to the Krever commission on that one. That is the big point of course. As far as what we are talking about here today is concerned, she was turned down for employment on the basis that there had been some deterioration. I guess anybody who is 40 years old and has had X-rays three years apart is going to show some deterioration in the vertebrae, isn't she?

Hon. Mr. Elgie: Yes.

Mr. McGuigan: You, as a doctor, I guess would know that better than any of us. The job she had been hired for was as an inspector, so lifting was not any part of the requirement. She was just required to use her eyes to inspect. Nevertheless, she was turned down on the basis of these X-rays. It seems to me

that we really have a crying need here for a health clause in the human rights code.

Hon. Mr. Elgie: That is a most interesting problem. Certainly if she was turned down on the basis of an X-ray report, that's an unusual way to practise. One usually practises on the basis of a patient's condition and complaints because X-rays will show deterioration from year to year in all of us. It will occur in you more than me. That's the problem with the side of the House you sit on. You deteriorate pretty rapidly over there. I think in that specific case the problem is not the decision about her employment was made on the basis of an X-ray report, and that's a dangerous practice. It should be based on the clinician's evaluation of the X-ray report taking into account her total history and problem. I'm not quite sure how you gets that into the human rights code.

Mr. McGuigan: Going back to the other aspect of it, the same radiologist was involved and it was not the same doctor because she had gone to her private doctor in the first instance when she had the fall. In the second instance, it was the company doctor, but the same radiologist made the comments of deterioration between X-rays. What do you think about that?

Hon. Mr. Elgie: The radiologist is a consultant and is consulted for an opinion on the X-rays before him without dealing with the patient, including previous X-rays which were used for comparative purposes. As I say, this is really a matter for the college if they wanted to get into it, my own feeling is that it is a clinician's opinion, based upon all factors, of which X-rays are one part, to make a decision about a deteriorating condition which has any significance, because we are all deteriorating in one way or another from the moment of birth, for different reasons.

They really find it difficult—perhaps some of the other staff can comment—to see how they would get into the human rights code.

Dr. Crittenden: First of all, I am surprised that they got those X-rays. I broke my foot in the spring. I had to sign my life away to get my own X-rays.

Hon. Mr. Elgie: That's not what he said.

Dr. Crittenden: You are mentioning the whole set of X-rays.

Hon. Mr. Elgie: That's not what he said.

Dr. Crittenden: Oh, didn't he?

Hon. Mr. Elgie: It went to the same radiologist who had the X-rays.

Dr. Crittenden: Oh, he had them. Then how did the report go to the potential employer?

Hon. Mr. Elgie: The plant doctor sent it in.

Mr. Brown: Mr. Chairman, I don't know if that could be captured under the general question of physical disability. I do not know.

Hon. Mr. Elgie: That is the point, it is not a disability unless the clinician makes a determination from many factors, of which that is one.

Mr. Brown: That's right. Or failing that, in the employment situation the only way the code could capture it now as it presently exists is if they were exacting that sort of thing from females alone and not males. To come to a conclusion and to draw an inference of discrimination you have to have comparative standards as between the grounds that are enshrined in the code. So if they were doing that for females and not males then you could act.

Mr. McGuigan: But it wouldn't if you put health as one reason. You could not discriminate in employment because of reasons of health. It would block such a thing.

Mr. Brown: I suspect that would be a difficult proposition for employers to buy in terms of health. They would need to have some standards of evaluating employees.

Mr. Mackenzie: Then you would want a determination in terms of a 10-year man in the coke ovens going back in there or something like that.

Mr. Brown: If they were only doing this to people, say, age 40 and over, then you could have something on the grounds of age, but one would have to look at the whole employment procedure to make that determination under the code as it exists. If we went in and found that they were subjecting people 40 to 65 to a different set of criteria, that are not necessarily employment related, or that test was used for the screening out of older employees, then that would be a different matter. Then we would have something under the code, as it presently exists.

Mr. McGuigan: I guess it proves your point, Mr. Minister, it is not easy.

Hon. Mr. Elgie: If the plant physician in that case based his decision only on the X-ray report, then that is worth a complaint to the complaints section of the college for making a diagnosis on inadequate information. This would be the College of Physicians and Surgeons.

Mr. Mackenzie: I just have one additional point I want to raise. I want to tie two together if I can, Mr. Chairman. I commend to you, and I suspect you have taken a look at it, the section on human rights in the Ontario Federation of Labour brief, because I think it is a good couple of pages involved. I couldn't help but notice the four recommendations that they made at the end, and tied them into a letter I recently received—and I know you have talked with them, Mr. Minister—from the BOOST people, the blind organization.

Hon. Mr. Elgie: John Ray is sitting in the audience today.

Mr. Mackenzie: Yes, John Ray and Michael Yale have done some fair work and I have noticed some of the problems they raise in their Third Eye bulletin, which is worth looking at as well.

I notice that the first two recommendations in the OFL brief are: "That the Ontario government declare human rights a priority in this province and enact legislation, develop programs, and provide funding as outlined in Life Together to reflect this commitment"—I don't know whether that covers primacy or not but it certainly indicates an attempt to make it a key issue—"and that legislation be enacted immediately to establish a program of contract compliance. This legislation must ensure that every contract entered into with the Ontario government contain nondiscriminatory clauses and that each prospective contractor fulfil stipulation in regard to the hiring, training and promotion of minorities, native people and women; that affirmative action programs be much more widely used by the commission as a means of redressing past injustices in the private sector; and that these programs be compulsory when ordered by the commission and that the commission monitor their effectiveness."

Finally, that the Ontario government maintain the existence of the Royal Commission on the Northern Environment to co-ordinate links between various sub-bodies investigating specific areas of concern, and that this commission produce a final amalgamated report to present complete solutions to the problems of the north."

I couldn't help but notice, although they are not in the same language, some of the comments in the Blind Organization of Ontario with self-help tactics: the letter from the second paragraph of "Since the report Life Together in August 1977, we have received many assurances that coverage for the physically handicapped will be included when

legislation is introduced. However, the BOO view has always held that in order to be successful in opening up new opportunities, legislation must be accompanied by other programs such as primary, affirmative action and public education."

Certainly it's a direct tie-in, whether realized it or not, with the very positive recommendations in the Ontario Federation of Labour brief.

Hon. Mr. Elgie: And with the government's affirmative action program for the handicapped.

Mr. Mackenzie: That's true.

They go on to say: "The report devotes three of its 99 recommendations to the crucial subject of primacy. It would involve adding one extra clause to the Ontario Human Rights Code and it would in effect elevate the status of the code, for such a clause would require all other Ontario statutes to conform with nondiscriminatory provisions contained in the code."

I would like a little more reason for your fear of a primacy clause. I can't quite tie it in, as you did, to the argument we had in Bill 136. I know of damned few union agreements, for example, if you're taking a look at that, where you could get away with discrimination based on sex, colour, creed, race, origin or handicap, if that was written in it. I think there's an area even there which they haven't even taken a look at in terms of some of the union contracts. But I don't get your argument. I'd like to know more of what bothers you in terms of a clause that is this out as being so clearly a right of people.

Hon. Mr. Elgie: I don't say I'm bothered with it. I have the same philosophical leanings towards that sort of a concept as you do. I am saying is that we all have to recognize there are difficulties with it. I don't understand you when you say you don't understand how it applied to Bill 136. That's the reason I specifically exempted section 38 under the Labour Relations Act; I exempted section 38 in the Labour Relations Act so that unions would not be charged with discriminatory practices under the Labour Relations Act. But without that primacy section, whole legislation, should it go through, would be in contravention of the human rights code if there were a primacy section.

Mr. Bounsall: Hold it. The legislation and large spoke to employment on a geographic basis. That's not covered by the code.

Hon. Mr. Elgie: Place of origin.

Mr. Bounsall: That generally has been interpreted as places of origin outside

country. I suppose it could be extended as it relates to provinces.

Hon. Mr. Elgie: We have a legal opinion that it would be extended to that sort of situation. I don't mean to say, because of that one thing, that you shouldn't look at it. All I'm telling you is that there are problems, and that's the sort of thing we're looking at.

Mr. Mackenzie: You raise an issue that I would think about as well. I'm not sure it's the reason for not moving in this area but, certainly in view of the appeals for affirmative action programs, the legislation that should have been here by now in terms of discrimination on the basis of any physical disability is long overdue. I trust that your comments about this legislation being before us before so long are accurate. It certainly would be more than welcome, and I doubt that you would have an awful lot of problems with most members of the House on it.

Hon. Mr. Elgie: I don't think so either, and I think we all agree on that.

Mr. Bounsall: Could I just ask one quick question? When physical disability gets written into the act as another area where you can't discriminate, I have assumed all along that questions on employment forms, such as "Have you ever had a Workmen's Compensation Board accident? Have you ever been a recipient of the WCB?" would automatically disappear. If that was passed, is this what the commissioners and your staff would understand would take place?

Dr. Crittenden: I would think so, but I think we should ask the deputy minister. He may know other parts of the legislation in the ministry and the government. I don't know the workmen's compensation legislation as well.

Mr. T. E. Armstrong: You are talking in terms of physical disability.

Mr. Bounsall: If physical disability was added to the act, I have just assumed that would clear up the problem of employment forms asking: "Have you ever had a Workmen's Compensation Board accident or been a recipient of WCB?" I would assume that if physical disability was added that question would disappear.

Mr. T. E. Armstrong: I think the legislative draftsmen would have to be asked whether that would be a necessary inference from that prohibition or whether one would have to be more specific to cover applications for employment as well.

Mr. Bounsall: They sure do discriminate if that question is answered yes or left blank. Even if it is left blank, they assume you have been one, and that is it as far as getting employment goes. I would hate to have to have it proved in individual cases. I would hope the commission or the ministry would respond immediately and say that questions of that sort are gone.

Hon. Mr. Elgie: That is our intention. The form could say it another way. It could say: "Is there any reason why you can't perform X hours of work a week at the job you are applying for?" or something like that. That is a whole different question.

Mr. Bounsall: That is a different question, yes.

Vote 2307 agreed to.

Mr. Chairman: This completes the estimates of the Ministry of Labour for the year 1978-79. Shall the estimates be reported?

Agreed to.

The committee adjourned at 4:28 p.m.

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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Industry and Tourism



Second Session, 31st Parliament

Thursday, December 7, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, DECEMBER 7, 1978

The committee met at 8:04 p.m.

ESTIMATES, MINISTRY OF INDUSTRY AND TOURISM

Mr. Chairman: Members of the committee, we now have a quorum. I have a substitute here. Mr. Kennedy will be substituting for Mr. James Taylor.

Members of the committee, we're here to consider the 1978-79 estimates of the Ministry of Industry and Tourism. We shall call on the minister to make his opening remarks. Mr. Minister.

Hon. Mr. Grossman: Thank you, Mr. Chairman. I should first like to introduce my deputy, L. R. (Red) Wilson, sitting on my left. Some of you already know him. I'd like also to ask the chairman, who rarely does anything for me, to pour me a glass of water because this is a lengthy statement.

Mr. Chairman: We shall pour you a glass of water, Mr. Minister, when you deserve it.

Hon. Mr. Grossman: I can't wait that long. That could be next Thursday.

May I also say that—there's the first member leaving and I haven't even started yet! May I say that, ordinarily, I wouldn't be opening discussion of estimates with as lengthy a statement as I shall make this evening. But, I thought that this might be an appropriate time to set out for the members of the committee the way in which we currently see our role in the ministry. I think, and some might agree, that our ministry has not always seen itself in this way in previous years.

Secondly, I'd like to take some time to talk about some of the places where I would like to see the ministry go in the next little while.

I should state, at the top of my remarks and before discussion of these estimates, I really hope this can be a period for a good exchange of views as to how to attack some of the many problems we're all facing. I look forward to these estimates as indeed I look forward to the next several months or, hopefully, years as we work together to try to solve some of these problems.

Let me state to the members of the committee that our ministry sees its roles as

follows: to encourage growth and job creation in the province of Ontario; to assist in the removal of impediments to the growth and development of free enterprise in this province; and to serve as an advocate for the views of industry and tourism.

I hope, Mr. Chairman, that before I've completed these remarks you and your fellow committee members will see quite clearly that all three types of responsibilities have become the basis for a more vigorous and extensive strategy than this ministry has ever attempted at any time in the past.

I consider it fitting at this point to pay tribute to my immediate predecessor, the late John Rhodes. In the short time he held this portfolio, John Rhodes injected great vitality and enthusiasm into this office, and I have come to appreciate that more and more as the days go on. John's passing is, as has been said by so many people, a serious loss to the government and the people of Ontario and it was particularly felt in my ministry.

My presentation to you here today is organized in five sections and in order that you might have something to do other than listen to all of the balance of my statement, we now will ask the clerk to distribute some of the material we've brought with us. You will be familiar with some of it. Some of it is our annual report together with material on "Shop Canadian" and "We treat you royally."

First, I will provide a description of the current economic outlook, including a forecast of trends and conditions likely to be encountered over the next year or so. Second, I'll comment at some length on the importance of the manufacturing sector to the economy of Ontario, pointing out some of the problems that must be overcome if that sector is to thrive in an increasingly tough and competitive marketplace. Third, I propose to outline what I and my associates perceive as an expanded and more aggressive role to be played by my ministry, particularly in regard to its function of advocacy.

In the fourth section of these remarks, I'll focus on several key sectors of the Ontario industrial and business community, discussing some of the conditions that affect them and outlining the means by which our

ministry intends to help them grow and develop. Finally, I'll mention two or three of the measures we feel should be adopted in the immediate future to strengthen Ontario's industrial capabilities and then I'll close by describing our long-range goal for the future.

In regard to the economic outlook, we expect to see sustained but modest growth in the Canadian economy during the coming year, with real economic output growing by approximately three to four per cent. Whether or not our national economy can achieve even this modest amount of growth will depend to a large measure on the performance of the US economy. There are some signs that the United States may be heading into a downturn and, if this occurs, economic growth in Canada will be somewhat retarded.

Meanwhile, the standard economic indicators show that the Canadian economy has enjoyed some improvement during the last several months. The GNP has grown more rapidly in real terms in the first half of 1978 than in the same period of 1977. This improvement has resulted chiefly from an increase in Canadian exports. As you would suppose, the export market has improved significantly with the decline in the value of the Canadian dollar. At the same time, we should recognize that our situation has been helped as well by the strength of the US economy since 80 per cent of our exports go to the United States, making the US by far our most important customer.

Other key indicators also provide grounds for some mild optimism. Wage increases have slowed in 1978, reflecting what I consider an encouragingly responsible attitude on the part of labour as well as an awareness on the part of management of the need for prudent control of expenditures. Also, in more general terms, the climate in labour-management relations has improved.

Meanwhile, the output in the manufacturing sector increased in the first half of 1978 by an annual rate of 6.5 per cent and manufacturing shipments in the same period increased at an annual rate of 19 per cent compared to a 12 per cent increase in 1977.

At the same time the downward trend in manufacturing employment was reversed, producing a growth rate of four per cent in the first half of 1978, a rate representing 78,000 new jobs.

While imports have gone up, exports rose even faster, with the result that the national trade surplus has gone up from last year's level. This year's surplus is shaping up at around \$3.5 billion to \$4 billion, compared to about \$3 billion last year.

As a final indicator, we see that the nation's utilization of its industrial and business capacity is about 86 per cent, which heralds good potential for investment-led growth over the next few years.

Ottawa, believe it or not, has also provided us with some new grounds for optimism. It's true.

Mr. Chairman: You like that, eh?

Mr. Wildman: Are you guys no longer just Ontario Liberals?

Mr. Chairman: Carry on, Mr. Minister.

Mr. Gaunt: That speechwriter is going to have a rough time.

Interjection.

Hon. Mr. Grossman: My ministry believes that some improvements in the economy will come about as a result of certain measures introduced in Mr. Chretien's budget three weeks ago.

The reduction in federal sales tax should retard the growth of the consumer price index, and investment should be stimulated by the enrichment of the investment tax credit and by other changes Ottawa has made in taxation affecting resources and research and development.

We see all these measures as steps in the right direction even if, as we have said many times, they don't go anywhere near fast enough. That was the bad news.

In summary, while Canada does appear to have recovered from its slow growth of the past year or two, the possibility of slowdown in the United States, coupled with federal restraints on spending, seems likely to result in a fallback in the rate of growth in the Canadian and Ontario economies.

I turn now to the subject of manufacturing and its importance to the economy of Ontario as a generator of wealth, as a creator of jobs and as an important factor in the balance of payments between our country and its principal trading partners.

Manufacturing accounts for 25 per cent of Ontario's gross provincial product. It also has a unique potential for creating jobs. Whenever 100 jobs are created in the manufacturing sector, approximately 68 additional jobs are created indirectly in other sectors of the economy. No other sector has that kind of spinoff effect. Indeed, manufacturing lies at the base of about 40 per cent of all employment in Ontario. Therefore, whenever the manufacturing sector has problems, our economy as a whole is threatened; and that is clearly the situation at the present time.

What we are talking about here are problems more profound than the mere ups and downs of the business cycle. Some of these

problems are environmental in the economic sense. Others are structural. The environmental problems have to do with such factors as the size and role of government and its influence on business, the extent to which government may be competing with the private sector for available capital through taxation and competitive borrowing, and the degree to which government regulation may be hampering the legitimate growth and activity of industry. This is a time when every government should be looking at such factors, and this we are doing.

We also need to look at the rewards that await industry in return for innovation, inventiveness, high productivity, aggressive marketing and all-round good management. We need to make sure that these rewards are sufficient to foster competition on the part of our industries against their counterparts abroad.

I can assure you that the government of Ontario as a whole, and my ministry in particular, is sensitive to those needs and that many appropriate measures and programs are either in the works already or well along in the planning stage to help improve the investment climate for manufacturing in Ontario.

It is encouraging to realize Ontario's international reputation for manufacturing is already well established and is improving steadily, but we do have some distance to go before achieving the recognition we wish to attain internationally.

The manufacturing sector also has some serious structural problems to overcome. These include the problem of scale, with many companies lacking sufficient size to compete effectively with their foreign counterparts. Production runs in many instances are uneconomically small, a condition that encourages an unfortunate and unhealthy degree of product diversification.

[8:15]

Some manufacturing plants in Ontario are failing to achieve their productive and creative potential by virtue of their subordinate positions as branches or subsidiaries of international or foreign companies controlled from abroad. As such they lack the authority to make crucial decisions about the most appropriate products to produce, about innovation and development, about market strategy in Canada and abroad, and so on.

I do not believe for a moment that a single provincial government can solve all of these problems for industry. But I do believe there are things we can and should do such as encouraging mergers among companies that

are uneconomically small. I believe such mergers are possible without violating the essential spirit of free enterprise and healthy competition.

Old line free enterprisers would challenge my view, but I contend it is better for industry and better for society to have some group of products manufactured by three competing companies of optimal size than by five marginal companies that may fail at any time.

Mr. Kerrio: Darcy McKeough's philosophy; that's why he is gone.

Mr. J. Reed: The old ghost has returned.

Mr. Kerrio: Bigger is not necessarily better, though. Texas technology.

Mr. J. Reed: Let's keep it small.

Hon. Mr. Grossman: These structural weaknesses are among our concerns as we voice Ontario's point of view to federal negotiators involved in discussions of the general agreement on tariffs and trades. Whatever new arrangements are made through GATT, international trading relationships are bound to change and new opportunities for trade will arise, but we cannot complacently assume these will automatically result in expanded production for our manufacturers.

In discussions with the federal government, Ontario has repeatedly stressed the need for a comprehensive adjustment program to enable our industries to reorient themselves to a new export strategy. We believe that such a program should be given high priority and should include these five points at the very least:

One, a clear and concise statement of national industrial development objectives set out region by region.

Two, an emphasis on creating a positive business environment including deregulation, government restraint, labour-management peace and investor confidence.

Three, substantial and immediate assistance in the areas of innovation, marketing, mergers and intra-industry specialization.

Four, harmonization of provincial and federal policies.

Five, adjustment programs that are industry specific, firm specific or product specific as needs be, to reflect special considerations.

Let me emphasize, members of the committee, that when I speak of assistance to industry, assistance of whatever kind, I have no intention of subsidizing the weak and the inefficient. That we think would be both foolish and unfair. We must not distort a system that properly rewards those who demonstrate initiative, skill and efficiency. Both for moral reasons and economic rea-

sons, we cannot afford to subsidize those who are inefficient and ineffectual.

For this reason I feel very strongly that any form of assistance from government should be supplied only on the basis of hard facts and careful analysis. At the same time I believe that in providing any sort of financial backing, we must be willing to take some risks.

Given the hotly competitive environment in which our manufacturers must operate, there are almost sure to be instances where our assistance to a potentially successful firm will not produce the results we expect. Certainly we will always be trying to pick winners, no question, but sooner or later, believe it or not, we will make some mistakes. I for one am prepared to take those risks, politically and otherwise. Remember that when it happens, Vince.

People who oppose government assistance to industry have perhaps lost touch with the unnerving realities of international competition today. Not surprisingly, our friendly rivals across the United States border have responded to the generally sluggish economic situation by stepping up this campaign for new development and they have been succeeding rather well.

The sunbelt states have managed to attract more than their normal share of industry because their populations and markets are growing and their labour costs are lower than most. To meet that competition the northeastern states have responded with industrial incentives, such as low-interest loans, tax-free industrial revenue bonds and direct capital grants. If Ontario wants to stay in the game it must adopt the same measures. For this we have been criticized both in Ottawa and here in the Legislature, though for distinctly different reasons. I am referring of course to the new investment incentive we have provided to the Ford Motor Company to build its proposed V-6 engine plant in Windsor instead of in the United States. This new plant will directly create 2,600 jobs in Ontario. The incentive that is paid out will be recovered through taxation within two or three years. Some critics of this measure object to any kind of government assistance to a large profit-making enterprise. In Ottawa on the other hand, the Reisman report criticized our initiative on the grounds that it was an ad hoc measure.

We concede, quite readily, a decision of that kind is not ideal. We would agree that such action should be based on a long-range industrial strategy. But Canada doesn't have a long-range industrial strategy yet, and there simply wasn't time to develop one.

The Ford deal was urgent, and some people evidently don't realize just how urgent it was.

Right now, the automotive industry in North America is in the process of gearing up for the new era of the smaller, more fuel efficient car. Right now, the industry is making investment decisions worth up to \$60 billion, in regard to the design, development, retooling and expansion of its facilities as well as the construction of new plants. Decisions of this import and magnitude will not likely be made again for a whole generation.

Either we recognize the opportunities that these decisions represent for Ontario or we miss out on them for a long time to come. It is unlikely that there will be many second chances. That is the fundamental fact, and was sufficient justification, in our view, for making a decision to offer an incentive.

Since the automobile industry is so important to our economy, I must not leave this subject without a comment on the auto pact, nor without commenting how important we think it is to see if we can get some of that new investment in the great city of Chatham.

Mr. Watson: Thank you.

Mr. J. Reed: That's for the benefit of the re-election of the member.

Mr. Eakins: The people in Haliburton will enjoy that.

Mr. Watson: I told him in my maiden speech the other night I wanted it. He has obviously read it.

Hon. Mr. Grossman: Every word. And we might have one for Sault Ste. Marie next week, who knows?

For the benefit of anyone who regards the automobile business as just another business industry, let me point out that we are talking about Ontario's largest direct employer. If you include such jobs as pumping gas and clerking in tire stores, you find the one job out of every six in this province is reliant upon this giant and complex industry.

Because of the complexity of the industry, and the complexity of the auto pact itself, there is a widespread notion which simplistically suggests that our trade deficit in automotive products arises entirely from this agreement and that all the advantage of this pact are accruing to the United States. Without going into a great amount of detail here, I would like to make a few points which I think are important.

Much has been said about the auto pact's effect on our trade with the United States. But it is important to realize that this trade involves not only automotive products cov-

ered by the auto pact, but also items not covered by the pact, such as aftermarket parts and accessories, tires and batteries. It has been estimated that in 1977 the non auto pact trade deficit accounted for 47 per cent of the total Canadian deficit in automotive trade with the United States.

Looking for a moment at Canada-US trade in auto parts alone, we see that Canada had a deficit of 2.73 billion dollars in parts coming under the auto pact, and a deficit of \$399 million in parts outside the auto pact.

Canada's trading with overseas countries also provides an interesting picture. In auto pact related trade in 1977, Canada had a surplus of some \$490 million whereas in automotive products not related to the pact, there was a deficit of more than \$643 million.

In other words, Canada has two problems in this area of international trade that cannot be attributed to our participation in the auto pact. One relates to aftermarket parts in trade with the United States, and the other relates to our automotive trade with overseas countries.

At the same time, I believe it is important for us all to maintain an accurate perspective of the effects which the auto pact has had on such key factors as our overall deficit in automotive trade, employment in Canada, and the effect of the auto pact on the relative price of cars in Canada and the United States.

In the last year before the auto pact went into effect, Canada-US auto trade amounted to \$739 million in 1964 dollars, while the Canadian deficit as a proportion of total auto trade amounted to 72.4 per cent. By 1977, Canadian-US auto trade had risen to \$20 billion, which is 27 times as much as before the pact began. Yet the Canadian deficit as a proportion of the total auto trade had dropped from 72 per cent to 5.5 per cent. The actual dollars, of course, are greater, but the ratio is much lower.

Looking at the employment picture, we see that in 1964, motor vehicle and parts manufacturing employed 70,200 Canadians. By 1976, the figure had grown to more than 110,000, which is an increase of more than 50 per cent.

An interesting trend in Canadian retail pricing as compared to US pricing is that in 1965 Canadian prices for cars were some 16 per cent higher than car prices in the US. By 1978, this differential had been reduced to 9.4 per cent.

While fully aware of these positive advantages, we are also cognizant of the fact

that the Canadian automotive market has been growing more rapidly than the level of the industry activity. As a result, Canada's share of investment, employment and other industrial benefits has not been commensurate with its contribution to overall North American sales.

Higher levels of industry activity would be best attained by increasing Canadian value added in North American production.

Parts and components manufacturing can make the greatest contribution to CVA and to reducing the trade deficit, because of the export potential. This segment of the industry also offers diversified opportunities for research and development as well as jobs generally requiring higher levels of skills.

This stresses, I think, the need for developing an industrial strategy that encourages and supports new establishments and expansions in the parts and components manufacturing sector.

I and my predecessors have urged the federal government to work with us and other provinces to develop a federal-provincial investment assistance program to attract new facilities, to assist Canadian companies to expand, to stimulate entrepreneurial ventures in the production of parts and components not now made in Canada, and of course, to compete with foreign jurisdictions offering incentives to new industry.

As you will recall, these issues and recommendations were among those contained in the paper I tabled in the Legislature on November 24 last; this paper being our submission to the Reisman commission in Ottawa. Our government agrees with Mr. Reisman's contention that this would not be a good time to attempt to renegotiate the auto pact with the US government.

As I said in the Legislature, the auto pact does provide a framework within which the industry can continue to develop and any consideration that the pact might be modified or discontinued suggests to potential industry investors a factor of instability and uncertainty that may adversely affect investment decisions.

It is encouraging to note, Mr. Chairman, that the notion of such renegotiation has been abandoned by those who were advocating it not too long ago, even Mr. Broadbent. The idea is no longer favoured by any responsible group in this province.

In my opinion, all Canadian governments should support the auto pact as an ongoing reality within which we must continue to actively push for balanced trade.

Returning for a moment to the issue of government assistance, I should point out that

as a broad principle there is ample precedent in Ontario and throughout Canada. We live in a nation that has developed many of its key industries through government assistance or other involvement, including Canadian Pacific, Polymer Corporation, the Atomic Energy Commission, Air Canada, which is perhaps not the best example, and so on.

Within our own provincial sphere, of course, we have the Ontario Development Corporation. Since its inception in 1966, the ODC, along with affiliated bodies formed later for northern and eastern Ontario, has approved 3,100 loans worth some \$404 million. As a result, it has generated some 50,000 jobs. For the current fiscal year, loans from these development corporations will amount to \$41 million, and the number of jobs generated will be about 8,700.

[8:30]

I turn now, Mr. Chairman, to the question of my ministry's changing role.

Because of the way competition in business and industry has escalated, and because growth in investment and industrial activity is so essential to Ontario's economic and social stability, my cabinet colleagues and I believe that the Ministry of Industry and Tourism must not only adopt a more innovative and aggressive stance than ever before, but must also assume an expanded and quite different role than it ever played in the past.

I refer to our advocacy role within the government. In the past, this function was limited to providing advice and voicing arguments on behalf of the business sector. Today, we see the need for direct internal action on behalf of business.

To help industry overcome the business environment problems I mentioned earlier, my ministry intends to intervene in the government's regulatory processes, to expedite the proposals of entrepreneurs whose projects will contribute to Ontario's economic growth.

We intend to throw our full support behind every new and worthwhile development, doing everything in our power to prevent such projects from being hampered by cumbersome approval procedures, by unnecessary regulations, by redundant paperwork, by interministerial buck-passing—which rarely occurs—or by bureaucratic procrastination—which never occurs.

Mr. Kerrio: That nearly got by.

Hon. Mr. Grossman: My associates in the ministry and I will be making it our business to keep ourselves fully informed of industrial plans and proposals, so that we are prepared at the right times to help expedite new projects by seeking simultaneous approvals

from the various ministries concerned, by pressing for swift decisions, and by providing any legitimate short cuts likely to reduce the time lag that private industry has traditionally faced between its moment of decision to invest and its moment of implementation.

Externally, we intend to provide a loud voice on behalf of companies that need a spokesman in Ottawa, or in other provinces, or abroad. We are determined to make sure, for instance, that Ontario industries obtain maximum benefit from such federal assistance schemes as the Enterprise Development Program. Again, we are determined to see that the aid goes to the deserving, to the potential winners. But my point here, is that no qualified company in Ontario will be passed over or ignored in Ottawa, so long as we are on the scene to make the case for Ontario industry.

As well as placing an active new interpretation on its function as an advocate, my ministry will be reaching out more aggressively than ever before to seize new opportunities for industrial development in this province and for the expansion of markets, at home and abroad, for Ontario industries.

In this regard, our people were already well into a vigorous year by the time I arrived on the scene. They had provided Ontario industries with direct and fruitful contacts through a petroleum show in Calgary, an auto parts show in Geneva, Switzerland, and an engineering exhibition in Sydney, Australia, a sales mission to Houston, Texas, for oil industry suppliers, and many others.

Last summer, from a ministry-sponsored capital projects probe into the Middle East, one Ontario electrical manufacturer brought home an \$800,000 contract to build two substations.

In September, the ministry conducted one of its most successful trade events ever, introducing 24 Ontario manufacturers to 630 buyers in the Boston area. This event generated \$2.7 million worth of immediate business, and on the strength of that success, we have scheduled four similar events for 1979, in Cleveland, in New Jersey, in Atlanta and in Buffalo.

Any volunteers for those? I was going to ask you to come.

An hon. member: It's not far from Niagara Falls.

Hon. Mr. Grossman: Yes, Vince should take Buffalo. He will probably be travelling in the United States, in Florida, at the time.

Interjection.

Hon. Mr. Grossman: But you work in Florida.

During this fiscal year alone the ministry will have conducted 67 trade missions, attended 11 exhibitions and trade fairs, given 17 seminars for exporters, brought in 83 buyers from abroad, and operated 18 business opportunity missions for prospective investors interested in locating in Ontario.

An incredible record, Julian. An incredible record.

Mr. J. Reed: A lot of chlorine in that water—maybe PCBs.

Hon. Mr. Grossman: We are trying to export those, too.

As a significant spinoff from our activities in promoting Ontario projects abroad, we have developed a program known as PEATE, the Program for Export of Administrative and Technical Expertise. You would have guessed that. Through this program, we help recruit Ontario personnel, with administrative or industrial skills, to train people in developing countries to operate the plants and other facilities that Ontario contractors have built or installed.

Canadian defence contracts have prompted Ontario missions overseas as we seek out military and non-military manufacturers likely to commission some Ontario contribution to contracts made with Ottawa, or with Canadian companies. These contracts may be for the defence contracts themselves, or for the offset contracts associated with them, involving non-military products. Our concerns at the moment are centred on the West German contract to supply Leopard tanks to the Canadian Armed Forces—you read about that one—and on the pending federal contract for \$2.3 billion worth of new fighter aircraft.

Meanwhile, my ministry is concentrating a great deal of its attention on the interests of small business in Ontario. Our proposed allocations for our small business operations division for 1979-80 are more than 46 per cent higher than the amount allocated last year. It is our intention to take a particularly active advocacy role on behalf of small business, particularly in the area of government purchasing regulations affecting small business, and general government support for small business.

Mr. J. Reed: Does that mean you are adopting John's bill?

Hon. Mr. Grossman: No. You saw that bit about regulations and government forms.

Mr. J. Reed: I thought possibly the least you could do would be to adopt John's bill.

Hon. Mr. Grossman: Through an extensive and capable field force, with offices in 15 Ontario cities, we will carry out these poli-

cies while providing back-up expertise and resources at head office.

We are stepping up work in small business marketing, financial management, investment, entrepreneurial development and cost reduction. One recent innovation by the small business division is a computer program. Through it, we provide companies with a detailed and confidential analysis of their current operations plus carefully structured scenarios exploring future development possibilities. Don't miss this, Vince. The program is free to companies.

Mr. Kerrio: Let's all look for a minute, then.

Hon. Mr. Grossman: You can get it in Hansard.

The program is free to companies that can provide certain preliminary information. For example, a business plan, sales forecasts, and other basic operating information.

This program has already produced tangible results. One company, for instance, negotiated a \$2.5 million loan for a new plant. Another obtained a commercial line-of-credit. Both achievements were made possible by the production of the computerized analyses of their operations.

In addition to the missions which I will be initiating for other members of the ministry over the coming year, I intend to travel abroad wherever and whenever necessary to promote Ontario products for export and to sell Ontario as a good place to invest.

As you know, our traditional trading partners are mainly the United States, the United Kingdom, Venezuela, West Germany, Australia and Japan.

Mr. J. Reed: I'd really like to go.

Hon. Mr. Grossman: I'd like to send you, Julie.

Mr. Eakins: There is a plane leaving at Christmas.

Hon. Mr. Grossman: Maybe John Roberts will take me.

Mr. J. Reed: See what you can do for the opposition.

Hon. Mr. Grossman: Our analysis of recent world trading patterns, however, indicates that exports from Ontario rely more heavily than necessary on customers in developed countries. We are convinced there are markets that we can, and should, penetrate in the Third World. We shall seek these out in 1979.

I might say, Mr. Chairman, that while the decline of our dollar might be deplored by some Canadians for other reasons, its low value on the world market represents a rare

opportunity for us in the all-out export campaign we are preparing.

Mr. J. Reed: I hope Joe Clark has read this in advance.

Hon. Mr. Grossman: Well, it is true it will go up immediately after the election. No question about that.

The decline in the Canadian dollar has already provided a welcome boost for Ontario tourism. The tourist industry has been characterized by so much gloom and doom until recently that it is a pleasure to report some good news from that sector. We are now forecasting that Ontario's tourism revenue will increase by some 16 per cent to a total of \$5.8 billion for 1978.

Mr. J. Reed: Thanks to John Eakins.

Hon. Mr. Grossman: It is clearly all John's doing.

Mr. Kennedy: That's only to Haliburton.

Hon. Mr. Grossman: More of our own people are travelling in Ontario, fewer of them are travelling abroad. More Canadians from other provinces are visiting us. The decline in the number of Americans visiting Ontario has been arrested. And we have had phenomenal growth from offshore markets partly because of our devalued currency.

Now we expect to see a 40 per cent growth in revenue from offshore countries, principally those of western Europe plus Japan, for a total revenue of \$340 million from overseas.

We have all heard a great deal about Canada's deficit on the international account which amounted to \$1.6 billion in 1977 and is expected to reach \$1.8 billion in 1978. The smallest deficit increase in five years.

Mr. Kerrio: What did Darcy used to say? "A declining percentage of deficit."

Hon. Mr. Grossman: That's right.

Mr. Kerrio: He was gone before we figured out what he meant.

Hon. Mr. Grossman: I won't be. I will still be here when you figure it out, I want to tell you.

We have had some good things going for us in tourism in 1978. The minimum wage has gone up more slowly in Ontario than in most Canadian jurisdictions. We held on to the tip differential for employees in the hospitality industry serving alcoholic beverages, a measure that helps keep overhead down. Costs, and hence price increases, have moderated considerably. Meanwhile, the Treasurer removed until the end of 1979 the seven per cent sales tax on hotel rooms. And the United States government helped us out by increasing the allowed value of duty-free

purchases in Canada to \$300 per month. All that in addition to the devalued dollar.

Word of all these benefits has not in my opinion filtered through to all of our prospective tourists, especially those in the United States, or even in western Europe and Japan, where our prices represent substantial bargains. We advertise in the United States with the slogan, "Cash in on a great travel bargain and check out for less." We are exploring ways and means of making this message even more dramatic and effective and shorter in 1979.

Mr. J. Reed: It's too long.

Mr. Eakins: Did you write his speech?

Hon. Mr. Grossman: 1978 was the year when the ministry launched a highly successful program to impress every resident of Ontario and member of the Legislature with the economic value of tourism. It is called, of course, "We treat you royally." In a very short time that program became part of the language. Six weeks after launch we measured its success and determined that 25 per cent of the residents of Ontario knew about the program and knew what it was intended to do. That degree of penetration in such a short time represents phenomenal success.

We propose to continue "We treat you royally" in 1979, beginning with a new launch in mid-May. An important new feature of the program is a training component whereby a team of consultants from the ministry will over the next year train 25,000 people in the hospitality industry to adopt better attitudes toward the visitor to Ontario.

My division of tourism has always provided a good number of summer employment opportunities for young people. For 1979, with the co-operation of the youth secretariat, we will employ some 400 young people as travel counsellors throughout the province, as travel ambassadors promoting Ontario east as a vacation destination, and as assistants in the further implementation of the "We treat you royally" program. Others will be employed as public relations editorial assistants in the communications branch.

One group of these young people will be assigned to measure the performance of the industry against a "friendliness index" by which the most polite and most appealing areas in the province will be credited for this achievement—St. Andrew-St. Patrick, to name one. All of this of course amid all the favourable publicity we can manage to generate.

Mr. Kerrio: We call it the Misty award in Niagara.

[8:45]

Hon. Mr. Grossman: Understandably. Misty members.

The convention business has become an important element in Ontario's tourism revenue. That is why my ministry is working closely with the city of Toronto, with Metropolitan Toronto, and with a number of private sector groups to determine the feasibility and economic value of a major world congress centre for the city of Toronto, near the islands. Concurrently, we are undertaking similar explorations within the city of Ottawa and the regional municipality of Ottawa-Carleton.

In addition, many entrepreneurs have found they are able to stretch out their tourist seasons to operate year-round and earn a good profit by offering all recreational facilities away from the pressures of big cities. They are doing a good volume of corporate meetings, incentive meetings and small business meetings—small meetings of all kinds—at all times of the year throughout the province. I am pleased to report that we are co-operating with these operators, helping them to market this important tourism service.

Meanwhile, in many parts of the province we are studying the feasibility of new attractions, some of them on our own initiative and others by way of financial or other assistance to entrepreneurs. For example, we have provided a \$400,000 grant to the Muskoka Steamship and Historical Society to restore the RMS Segwun, the last operating steamboat on the Muskoka Lakes and a natural as a tourist attraction.

Mr. J. Reed: She's a great old ship.

Hon. Mr. Grossman: In the right riding too, the fine riding of Muskoka. Fifty miles north of Ottawa, we are proposing the development of a theme park unique in all Canada, Timbertown—

Mr. Gaunt: I can see this really chokes the minister up.

Hon. Mr. Grossman:—depicting the logging and lumbering industry of the past. We are negotiating for coverage of this project, in part, under the DREE agreement, and we are arousing interest, meanwhile, in the private sector. Out in Maple, you may have heard of our \$80-million theme amusement park which is in the planning stage with an opening projected for 1981. You're all invited.

Meanwhile, we are actively working with several suitable candidates, one of whom will be selected to operate Minaki Lodge, north of Kenora.

Mr. Gaunt: I was waiting for it.

Hon. Mr. Grossman: I wasn't going to wait for you.

Mr. Gaunt: It was like waiting for the new Governor General.

Hon. Mr. Grossman: Yes, we're looking for a socialist from Manitoba.

Mr. J. Reed: You don't have to go to Manitoba to find one.

Hon. Mr. Grossman: We will be pressing ahead with additions there, once an operator has been retained. Down at the lakeshore, the people who run Ontario Place have invented a new word.

Mr. Gaunt: What's that, a loss?

Mr. Eakins: Pay up or get out.

Mr. Kerrio: Everybody has to be bonded.

Mr. Eakins: Honesty is the best policy.

Mr. Chairman: You may carry on with your brief opening remarks.

Hon. Mr. Grossman: I'll come back to the new word later. It is "Wintertainment." How's that?

Mr. Kerrio: Again?

Hon. Mr. Grossman: No, I can't do it again.

Mr. J. Reed: I wonder what that cost?

Hon. Mr. Grossman: Not a cent. It's their way of announcing that their hugely popular recreation spot is about to begin operating its first winter season. The centre of attention is a brand new 18,000 square foot ice rink, but classic and modern movies in two theatres and the Trillium restaurant and lounge are also expected to attract their share of customers during the 14-week season. For this first winter season we are projecting an attendance of about 150,000, compared to total attendance this past summer of 3,092,000. The need for new and better attractions is urgent because of the highly competitive nature of tourism marketing all over the world.

The kinds of people we want to reach at home and abroad are continually changing. For example, there is a growing market for Ontario tourism among retired people who have health and money, and the desire to travel. We are not, it seems to us, taking sufficient advantage of that market.

Another example is the large number of two-income households without children who have good education, who are well-to-do and who have good potential as visitors to Ontario. We are not, it seems to us, doing a good enough job at reaching those people either.

We identified people of the current generation as people who, to a large extent, have very special interests—be it as an antique collector, tennis addict, mountain climber,

canoeist or whatever. There is a great back-to-nature movement—a desire on the part of many people to test themselves against the rigours of the outdoors in Timiskaming and other places—and a growing interest in the far northern reaches of the province. These opportunities too are ones we are not fully exploiting in our tourism programs, and yet we face tremendous competition from the tourism centres of the world—indeed from every marketer who is looking for the leisure time dollar, the leisure time mark, the leisure time yen, and we are being outspent in the marketplace a hundredfold.

New York State, for instance, increased its tourism advertising budget over the past four years from \$600,000 to \$3 million, to \$7 million, and last year to \$12 million.

And meanwhile, even with our low-valued dollar, we are being outflanked by hundreds of tourist operators in the eastern United States, 2,800 of them at last count, who have mutually agreed to take the Canadian dollar at par. This competition is doubly unnerving for those of us who are aware that some business people in Ontario are meanwhile refusing to pay any premium whatever on United States currency.

We have in Ontario a product that is infinite in its variety, but outside major urban centres it generally lacks the sophistication needed to meet the demands of the modern, urbane traveller. We are not doing enough marketing; we can improve the marketing we are already doing; we face fierce competition; and it is incumbent upon us to equip ourselves to measure up to the demands and opportunities that are presented to us by today's markets. That is the challenge as we see it that we face in the next year or two.

Others sectors of industry also need help in becoming more cost-competitive and we are assisting them in several ways.

Since 1975, our energy bus has been criss-crossing Ontario, providing free analysis and advice to industry on ways of saving energy in the form of electrical power, heating insulation, waste heat and water.

Mr. J. Reed: That bus was the Ministry of Energy's big deal.

Hon. Mr. Grossman: This bus is equipped with a computer which analyses electrical power consumption in an industrial plant, for example, and provides an immediate estimate of the dollar savings that could be achieved. So far it has identified energy savings worth more than \$36 million.

The idea, as all good ideas are, has been picked up by federal authorities and now we are also operating a similar vehicle of theirs, called—

Mr. J. Reed: I'm glad they pick up the good ideas.

Hon. Mr. Grossman: —an Enersave unit under a program that involves six other provinces as well.

One program that has captured the imagination of industry, we feel, right across Canada is Shop Canadian. Proposed by Premier Davis at the first ministers' conference last February, Shop Canadian is now part of a major three-year economic development initiative designed to encourage the broadest possible support for Canadian-made manufacturing products.

It is a campaign that has not only been fully adopted by ourselves but is reaching out successfully to influence other governments, business and industry themselves, as well as consumers.

Rather than try and detail all the successes of this campaign, let me provide just one statistic to show how this idea has caught on. Thanks to the enthusiastic response from the Canadian retail community, 170,000 point-of-sale materials promoting the Shop Canadian concept will be on display by the middle of this month in stores from Victoria to Halifax. This is one initiative I think we should all be proud of, simply as residents of a province that has led the way into an important potentially enormous economic success. With similar initiative, at another level, I am pleased to report our government's extensive participation in a series of task forces which dealt with the problems and prospects of Canadian industry over a three-month period last spring.

Again at our government's suggestion, federal authorities—I don't know why we call them "federal authorities at Ottawa" in this part of the speech—

Mr. J. Reed: Just call them "our friends down in Ottawa."

Hon. Mr. Grossman: Julian Reed's friends in Ottawa organized 3 task forces composed of representatives from business and industry, labour, academic institutions and government. I am proud to say that our ministry took part in 20 of those 23 groups, and two of the others included participants from the ministries of Natural Resources and Transportation and Communications. Out of this exercise has come quite a number of useful recommendations for strengthening Canadian industry, and we will be acting upon these early in 1979.

While it is often useful to have a task force identifying certain problems and suggesting solutions, we do not depend by any means on this approach alone, as I'm sure

you will appreciate. Two problems, in particular, which affect the capability of Ontario industry are among our most active concerns at this time. One is the need for young people to fill the demand for skilled labour.

Half a generation ago, the apprenticeship system that once supplied most of industry's skilled labour fell out of favour and was replaced by community college courses and other forms of training. Now we need to revitalize the apprenticeship system with modern refinements, and in co-operation with the Ministry of Colleges and Universities, and the Manpower Co-ordinating Committee we are looking at ways of providing a program that would be attractive to industry and to the participants, and fair to the governments and the companies that would probably have to bear much of the costs.

My predecessor, the Honourable Claude Bennett, in discussions with the hospitality industry, established the opportunities for jobs—skilled jobs, jobs for young people, career opportunities—all in the hospitality sector. He established a private-sector task force to investigate the situation. That task force, reporting to me and to my colleague, the Honourable Bette Stephenson, has established that there are jobs in the hospitality industry right now; that some 20,000 employees in the industry require some retraining or skill upgrading and that employers are willing to pay for that upgrading; and that there are 5,000 new jobs in the hospitality sector of the industry.

The task force has reported on the possibility of establishing a hostelry institute for the training of restaurant chefs, bar staff and waiters—not topless—all to fill the growing vacancies in the hospitality industry. This recommendation is now under serious consideration by the government, and I hope to be able to make an announcement about it soon.

With much more long-range results in mind, we are also pressing for adoption of policies and programs, nationwide, that would strengthen industry in this province and elsewhere, by stepping up our capacity for production in the field of high technology.

As this government sees it, Canada faces a challenge in encouraging multinational companies to undertake more research and development work here. At the first ministers' conference last month in Ottawa, Premier Davis proposed several initiatives to help solve this problem: A campaign to make industry and the public aware of the benefits of innovation and of the incentives that are offered; a system for refunding tax credits to small businesses which are in the initial stages

of development and have no taxable income at that point; a policy of encouraging research and development throughout the whole industrial chain, right through from the design stage to marketing; finally, a policy of urging multinationals to consider a policy of "global product-mandating," whereby a subsidiary in Canada would specialize in a certain product or product line, from initial research right through to market, with production in Canada aimed at the worldwide marketplace.

As the Premier pointed out at that time, "Expanding this practice would give the Canadian division a specific mandate to research, develop, design and market certain product lines." I might add here, of course, that Ontario has been in the forefront of this sort of effort since 1928, some 50 years, through the vehicle of the Ontario Research Foundation. The Ontario Research Foundation has, I am sure you will agree, an outstanding reputation and record of achievement.

We plan in the years to come, commencing this year, to increase the role of the Ontario Research Foundation and to emphasize its role more clearly and directly. We hope its role will encompass special emphasis on aid and assistance to people in the small manufacturing businesses who need its assistance and advice and help to assist them in coping with the problems we have outlined earlier in the statement this evening. We also see the role of the Ontario Research Foundation in frontier areas such as solar energy.

[9:00]

That concept, Mr. Chairman, presents us with a glimpse of the future of Ontario industry as seen by us at this time. It is not only trite but actually irrelevant at this point to complain about Canadians or Ontarians being hewers of wood and drawers of water. The challenge for the future is to avoid being what we actually are today, assemblers of parts invented and designed abroad by foreign hands and foreign brains. Ontario must push ahead into the fast changing and fast growing world of high technology and I see the Ministry of Industry and Tourism serving both as an advocate and as a catalyst to make the right things happen at the right time.

The days are long gone when the ministry I now lead can afford to sit back waiting to respond to inquiries and requests from business and industry. There is, we feel, much to be done and much that we are anxious to do to improve the structure of the industrial sector, to smooth the way for business in its dealings with government, to slash away at the red tape which a generation of regulation writers has created, often with the best of

motives and intentions, and perhaps most of all to make it possible for our industries to develop all the skills, foresights and judgments they need to penetrate and thrive in the markets of the world.

Mr. Chairman: That concludes my remarks. I knew the members of the committee wouldn't want to wait for Hansard so we have some copies of those remarks to distribute.

Mr. Chairman: Are they earth-shattering remarks?

Hon. Mr. Grossman: Well, they are. I knew you wouldn't want to wait. We also didn't want to give them to you while I was reading it because we knew you wouldn't pay attention.

Mr. Chairman: Thank you very much, Mr. Minister. I was just wondering what the purpose was of the slide projector on the table.

Hon. Mr. Grossman: Frank Drea had some slides he wanted to show later on.

Mr. Chairman: I thought as an added feature you were going to show some slides by popular request. Well, that's fine.

Hon. Mr. Grossman: My last vacation in northern Ontario, but that's later.

Mr. Chairman: All the negatives were blank, as I understand.

Mr. Makarchuk: Larry and the moose.

Hon. Mr. Grossman: That's a picture of Ed and I in Kirkland Lake.

Mr. Chairman: Now we'll call on the Liberal critic, Mr. Eakins.

Mr. Eakins: Thank you very much, Mr. Chairman. Mr. Minister, I appreciate very much many of the comments that you have made tonight. Of course it would be impossible to comment on everything you have mentioned in your opening remarks. However, as we move along on the various votes I hope we can discuss more of these areas. They are of great concern to my colleagues and myself and we will be discussing some of them and asking for further clarification.

I want first of all to express my congratulations and good wishes to you on being appointed to the Ministry of Industry and Tourism, which I feel is one of the very important ministries of the government and also to express my good wishes to your deputy minister, Mr. Wilson, on his appointment. Since we were elected, the minister and I, in what we like to refer to as the class of '75, which is a very important year—

Mr. Kerrio: Vintage year.

Hon. Mr. Grossman: I just hope we make it to September 1980.

Mr. Eakins: I'm working on that too. I have a very personal interest in that. We need that five-year span.

Since my election I've been concentrating on the Ministry of Industry and Tourism and I've appreciated very much in the past my relationship with the previous ministers. I felt I had a good relationship with Claude Bennett, and also the late John Rhodes who was an excellent person. I felt that Mr. Rhodes had a great future in this ministry. I certainly look forward to co-operating and working with you. I think this is most important, to work together. I want to say this initially because it's so easy to fault-find and to relate in a partisan way sometimes, but I feel that with the importance of industry and tourism today, we have to co-operate and work very closely together. I think we have to do it in a very constructive way. I hope that through my work as critic we will be constructive and that we will get away from simply criticizing just for the sake of doing that. I think it's too important. I can assure you that my colleagues and I will work very closely with yourself and your people in the ministry. On a personal note, I want to take this opportunity to say how much I appreciate working with the ministry's representatives throughout the area I represent, which is the great riding of Victoria-Haliburton. There's a little partisanship there, but Victoria and Haliburton are great counties and I am very proud to be their member.

I might mention that the ministry is represented in that area by Bruce Williams and Dave Thomas in Peterborough, in Orillia by Bob Shelley—and I know my colleague from Simcoe East is very familiar with him—and by Winn Bestwick in Huntsville. The latter two gentlemen serve Haliburton county. We have an excellent relationship, and I don't think there has ever been an occasion when I have called them that they haven't been most supportive and very helpful to me.

I just wanted to say that, because it is so easy today to find fault and knock our civil servants, as sometimes happens. Sometimes we don't give enough credit to people when they are very co-operative and work with you. I want to tell you that these four gentlemen in particular are very helpful.

I want to say too that our research office has been in contact many times with ministry personnel, and they have been most helpful. We just want to express our appreciation to them. I had the pleasure last weekend, as the minister did—only I had perhaps a shorter stay—of attending for a few mo-

ments the Northern Ontario Tourist Outfitters Association. I met the ministry people there, and they were certainly most hospitable. So there is a good relationship there; I appreciate that, and I appreciate the fact that they do make available to us information whenever we require it.

Tonight I am going to zero in mainly on the subject of tourism. Being my party's critic for tourism certainly did not happen by accident. I am sure the minister is very much aware of our tourism task force, which toured the province just a year ago and this past spring.

I want to tell the minister about the task force for a moment. We felt that, with the state of tourism today we should take a very close look at what is happening in tourism; so we formed our task force. I might tell the minister that Claude Bennett, who was the minister at that time, was very much in favour of us moving around the province and making some constructive suggestions; and we have done so.

When we visited the various areas of the province, we invited the ministry representatives in that area to attend, along with the local member, regardless of whichever party that member belonged to. So we feel that many of the comments and recommendations we have made in the report are as a result of meeting with the people and constructively trying to make a better approach to tourism in this province.

As a result of that, we feel that tourism should be given a much higher profile; it requires a status reflecting its importance to Ontario's economy, and we feel it requires that status now. As a result, we in our caucus have divided the responsibilities of industry and tourism; so I will be dealing mainly with tourism and Ross Hall, my colleague from Lincoln, will be dealing with the industrial side. However, we will be working very closely together. Mr. Hall is unable to be with us tonight and, while I may make a few comments at the end of my remarks, perhaps Mr. Hall might want to make a few additional comments during one of the votes later on. So we will be dealing with it in that way.

Hon. Mr. Grossman: He's got to read my speech first.

Mr. Eakins: He will read your speech. He is not here tonight, but I am sure he will respond. We'll all respond.

I will tell the minister, frankly, that I think we've reached the day, especially in tourism, when we are going to have to take a new approach. I appreciate the comments

that the minister has made, that his ministry is going to have a new approach and some new ideas. I hope, as the estimates proceed, that the minister will talk to us more about what his ministry plans in that regard.

Tourism today is like a sleeping giant. We really haven't scratched the surface of the potential of tourism in Ontario.

Mr. Makarchuk: You must have been scratching the giant in the wrong place.

Mr. Eakins: I am very interested in tourism because I represent an area that is very dependent on tourism, the county of Haliburton, in particular, and the county of Victoria. I feel it is too important to pass over lightly and I think we have to take tourism very seriously today because it is our second largest industry. It employs somewhere in the neighbourhood of 400,000 people and as the minister mentioned, it is a \$5 billion industry, and perhaps \$5 billion plus for 1978.

I would just like to open by suggesting that even though there has been a deluge of articles and reports on the slump in our tourism sector recently, we should not simply be picking on it because it has had a bad year. I feel tourism has been taken for granted because we have always been blessed in this province with an abundance of natural tourism attractions. We have erroneously believed that because of this, the tourists would always be here as well. I think this has proven to be untrue.

Travel habits have drastically changed over the years and perhaps we are guilty of not recognizing this fact. What is missing here is some form of long-range planning. Does the government presently direct its tourism programs with a definite goal in mind? I believe without direction and without a goal to work towards, our efforts with the tourism sector are lost.

Tourism was a \$9.2 billion industry across Canada in 1976; \$7.3 billion was spent by Canadians and \$1.9 billion was spent in Canada by visitors. This represented about five per cent of the GNP. Tourism is the nation's largest single employer, providing jobs directly and indirectly, for over 800,000 people. At the rate this industry is growing globally, it is predicted to be the number one industry in Canada in terms of income and export earnings, as well as employment, by the turn of the century.

However, some disturbing trends have emerged which, if not corrected, will be very damaging for the tourism industry. Since 1951, with the exception of two years, Canada has had an annual deficit in its international travel account that up to 1974 never

exceeded \$296 million. This deficit grew in 1975 to \$727 million; to \$1.2 billion in 1976; and to \$1.7 billion in 1977. I believe the minister used the figure of \$1.6 billion. At this growth rate, unless something changes the trend and unless it is reversed, a travel deficit could be in the billions of dollars by the mid-1980s. We are hopeful that will not happen.

Canada and Ontario simply cannot afford to treat the tourism deficit as anything less than an urgent problem. Narrowing the tourism gap is one of the things this country could and should achieve fairly quickly to help restore a better balance of international payments.

It has also been predicted that tourism will be the world's biggest volume industry by the end of the century. We have the potential to be the world leader in the industry. It used to be a boost to our economy, instead we are now lagging in this field. It is because tourism represents leisure time and pleasure and therefore is not taken seriously enough by many of our population.

This industry is also characteristically small business in nature and therefore somewhat fragmented. This stresses the need for co-ordination of the efforts of its many participants. In addition, we have three levels of government which actively take a role in tourism development. Finally, the intense competition for the tourism dollar that has arisen from all parts of the world, and which will continue to grow, emphasizes the need for a synchronized approach by all governments to the tourism industry throughout the country.

In Ontario, tourism is our province's second largest export industry and accounts for 11 per cent of Ontario's employment. Its uniquely labour-intensive nature makes it an extremely significant sector of our provisional economy, especially in times of high unemployment.

[9:15]

I would like to draw your attention, Mr. Chairman, to the significance of tourism on a regional basis throughout the province. The following are some examples of estimated revenues: In Thunder Bay, tourism brings in between \$15 million and \$20 million annually; in Muskoka, \$34 million; in Ottawa, \$136 million; in the Niagara area, \$228 million; in the Almaquin-Nipissing area, \$50 million; in eastern Ontario, \$360 million and in Metro Toronto alone, over \$400 million.

Recently revised figures from the ministry have augmented provincial tourism revenues for 1976 to \$4.3 billion and the number of

direct and indirect jobs to 400,000. That is almost double the previous figures with which we were working before the ministry had the benefit of a more recent tourism survey.

But there is one last disturbing trend that I would like to point out; that is the deficit in our travel account. Of three major economic forecasters, one has predicted that the \$1.7 billion national tourism deficit will be reduced by about \$100 million in 1978. The other forecasters predict a further deterioration in the deficit to about \$2 billion. Given that Ontario's figures range from one-third to one-half of the nation's total in figures, this means we are looking at another provincial tourism deficit this year that will be about \$500 million by the most optimistic standards, but will quite possibly be about \$600 million.

I don't believe with the tourism features of this province and the exchange rate bonanza that is being offered for our tourism industry at this time that we should be looking at a deficit at all. Instead we are looking at a deficit position of about \$600 million. I am concerned that the Ministry of Industry and Tourism is willing to accept a deficit of that magnitude. I would like to know whether it is considered too late to introduce any kind of stimulative measure that might help to reduce the deficit for 1978. I would like to go into that sometime later on during one of the votes.

As the minister is aware, the Liberal Party formed a task force to go out and meet Ontarians associated with the tourism sector to get a grassroots idea of the problems they are faced with. I had the pleasure of chairing that task force. I'm very pleased to say that our report has now been released, as you know. I intend it to be a constructive document and I sincerely hope that as a new minister you will be able to benefit from the concerns that we have listed.

We don't have all the answers to their problems, but we do want to bring them out into the open and discuss them, as we have suggested some recommendations. There may be practical reasons why our recommendations are unworkable and, if that's the case, then we would like to know why. But at least let's discuss it because I feel that we have an enthusiastic group of Ontarians in our tourism sector who really want to make it work, and I believe that. They deserve whatever help we can give them.

We summarized the problems into three main areas, overregulation, taxation and our negative attitude toward tourists. If 14 ministries are going to be involved with the tourism sector, then they must be co-ordin-

ated by a central focus. We have suggested a re-institution of a committee along the lines of the legislative committee on natural resources and tourism that last met in 1970.

It had provided the tourism sector with an opportunity to voice their opinions and, being an all-party committee, their concerns would be heard by the opposition as well as the government. This committee could comprise the three parties and the various ministers who are involved with some aspect of the tourism sector. The chairman could be the minister or the director of tourism and, in this way, the personnel making decisions on the tourism sector can be enlightened with respect to the effect that their decisions will have on the tourism operators.

This is the one area in which I strongly believe, because how can this Legislature and the members of the Legislature help the people in the tourism area if they are not aware of their problems? That's why many members of all parties have said to me that they really enjoyed it—I think the last meeting was in 1970—when they met together. It was not just the cabinet or the minister meeting with these various organizations, but a committee composed of all members. In that way, all members of the Legislature are aware of the problems. I think it's a constructive way of dealing with it. You're aware of what the problems are and therefore you can deal with them in that way. This is one area to which I would like you to give some thought.

And why is over-regulation a problem?

First, because the more ministries to which the individual operator must answer, the less time he has to run his business profitably.

Second, a feeling of alienation from the government is created when an operator feels he can't take a step without accounting for it to the government. The tourism sector begins to resent having to deal with so many arms of the government. What that means is that, when the Ministry of Industry and Tourism tries to implement some kind of stimulative measure, they just won't have the co-operation and faith of the tourism operators necessary to make it work. Tourism is one industry in which the private sector and the government must work together.

The individual operator is simply not capable of handling some of the promotional ventures the ministry will take on in various parts of the world. It is, therefore, very important for the government and the tourism industry to have a strong understanding of each other.

Third, we were obviously pleased to see the temporary removal of the sales tax on

accommodation. Perhaps before the end of 1979 the Treasurer (Mr. F. S. Miller) might be convinced that this removal should be permanent. This was done in Quebec this year. The provincial government's loss of \$30 million in taxation revenue will be the provincial economy's gain of, roughly speaking, \$30 million times the 1.7 multiplier—effective tourism—or some \$50 million. If that isn't enough to convince the Treasurer of the spinoff of tourism dollars, then I don't know what better example we could use.

We have also recommended that the same rate of taxation applied to other items in the province be applied to meals over \$6. I feel, and I say this very strongly, that there is simply no justification for someone being able to purchase a fur coat and pay a seven per cent tax, yet have to pay 10 per cent tax on luxury meals. This is one item which doesn't require a lot of discussion. I think it could be dealt with very quickly indeed.

Before leaving the subject of taxation, I would just like to express my support for any representation that the minister might make to the Treasurer in respect to the proposed property tax reforms and their anticipated effect on such establishments as the tourist resorts. Because we know that one of the problems is that many tourist resorts are not in operation over a full year. I believe that if we're going to help the tourism industry we've got to take into consideration the fact their taxes are paid for the year round but they're not in operation for that full period. I think that since we have helped other industries, we can certainly give a lot of thought to this area on behalf of the tourism industry. I believe the minister must be aware of this. I hope he is actively making representation on behalf of the tourism sector for a more appropriate method of assessment for tourist resorts. We have recommended that they be assessed in a manner that will recognize the fact that vacant land is not a frill but, rather, a necessity for a tourist operation.

Fourth, tourist operators sometimes perceive a negative attitude toward tourists on the part of local residents and shop owners who feel, in some cases, that they just don't need tourists. This is because of their lack of awareness of just how important the tourism industry is to their own well-being. We would like to increase the awareness of all residents to the contribution of tourism to our economy. We'd like to start right in the schools. We would like to see more young people viewing careers in the hospitality industry as being very high profile, rather

than short-term employment for many people. In some of your remarks, to be discussed later, you commented on that. I think it's a good approach.

We feel that the proposal of an Ontario hostelry institute is a step in the right direction for increasing tourism awareness. However, we feel that the intention to set up a new facility would be in competition with the existing courses at community colleges. This is one area to which you must give attention. With two main areas of provincial funding competing against each other, one investment would eventually cancel out the other. This is simply not a logical approach to improving awareness of this industry. We see no reason, unless you have some negative reasons, why the existing facilities and courses cannot be more fully utilized.

On the topic of promotion, it was very evident to the task force that the individual operator would do anything to have a say in the advertising ventures of the province. And, since resort owners themselves have the best idea of where their clients originate and what they are looking for in a holiday, we recommended that a program be implemented on a trial basis for the \$3 million in additional funds in the ministry's advertising budget for local travel associations. This should give prominence to the viewpoints of the individual tourist operators in provincial advertising decisions.

We further recommended that the province make available promotional material and road maps for tourist operators who intend to set up booths at sportsmens' shows in the US. We felt this was of particular importance in cases where the province itself would not be attending a particular show. I would appreciate knowing what the ministry's policy is with respect to attending these particular shows.

It was strongly pointed out to the task force that the information booths at some of our major ports of entry, in particular Niagara Falls, do not give visitors the warm welcome they should receive as their first impression of Ontario. I don't say this in relation to the personnel.

Mr. Kerrio: I'm busy over here, John. I can't be down there too.

Mr. Eakins: Furthermore, the Queen Elizabeth Way is sadly lacking in rest facilities and yet provides a prime tourist attraction with all of the produce stands.

We recommended therefore that the province examine the information booths, such as at Niagara Falls to which I referred just a moment ago, that welcome tourists to our

province and provide assistance where upgrading of these facilities is deemed necessary. We feel that upgrading should be considered to provide complete facilities, where tourists can purchase the necessary licences, exchange money, make reservations for accommodation, and receive promotional material on all of the province's attractions. It should be comprehensive.

We also recommend that the province take into consideration the lack of washroom facilities that exist alongside the produce stands on the Queen Elizabeth Way. In the light of the degree of tourist activity along this section of highway, we recommend that the province examine the cost to set up such facilities.

To give an example of the involvement of other ministries with tourism, I would like to mention two important aspects of the activities of the Ministry of Natural Resources. In the northwestern sections of the province the ministry is granting some timber companies access roads to lakes where resort owners had been operating fly-in services for those seeking the kind of seclusion you can only get in northern Ontario. This practice would have an obvious effect—

Mr. Wildman: The provincial guides are going to announce even more of those pretty soon.

Mr. Eakins: —on that type of operation unless some kind of a buffer zone could be established between the access road and the lakes.

Second, resort owners throughout the province were being told by their repeat customers they could now get better fishing at home and in other areas due to our insufficient restocking program. We recommended therefore that the province institute a restocking program for our lakes and, if necessary, the funding for this could be derived from the implementation of a resident fishing licence.

With respect to Metropolitan Toronto, the task force learned that facilities do not exist to accommodate very large conventions in the province's largest city. I am pleased to hear, Mr. Minister, your comments in this regard tonight. We realize that the centre should be a project of all three levels of government along with the private sector. But once it is completed, it will bring people to the province who would never have come otherwise. This building could then become a major promotion and distribution centre for tourism activities throughout the whole province. Consider the potential here for expanding our tourism operations to such a lucrative market.

I believe one of the figures we had was that there were 70-some major conventions

that could not consider coming to Toronto because there just was not the accommodation in a major centre. We feel that we would support this type of venture.

Hon. Mr. Grossman: Even in Bellwoods?

Mr. McClellan: Especially in Bellwoods.

[9:30]

Mr. Eakins: Not only would such a centre bring in immediate revenue, it would alleviate one of the major drawbacks of our tourism trade, its seasonality. Conventions generally take place in the fall or the spring, since people holiday in the summer. The new centre, therefore, would help to lengthen our season, and that could be a big plus for the province.

It has been estimated that about 10 per cent of the membership in large American associations is Canadian. That could provide enough incentive for any association to choose Toronto or other areas as a convention site.

And, finally, Toronto is generally considered a safe city for a family and many conventioners have chosen to bring their families with them in the past. It would be hard to imagine a better situation for promoting the province for a family vacation.

In Metropolitan Toronto, badly needed construction jobs would be filled. After the centre's completion, an ongoing demand would exist for electricians, plumbers, carpenters, et cetera, as the need for maintenance and setup on convention displays takes over.

We recommended that a committee composed of representatives from the three levels of government and private industry be set up to settle the financial arrangement necessary to finalize plans for a convention centre in Metro. Once the centre has been established, we would recommend that the Ministry of Industry and Tourism establish an information and distribution centre for registered delegates. This could provide information and incentives to travel, such as passes to some of our provincial attractions like Ontario Place, Old Fort William and other areas, and the Legislature. In the meantime, we propose the establishment of a portable information and distribution centre that could locate at the sites of conventions currently taking place in Metro Toronto and throughout the province.

We would also suggest that this committee consider further ways to persuade United States officials to change legislation that has limited tax deductibility for expenses of conventions held outside of the United States to two per year. It has been estimated by the Metro Convention and

Tourist Bureau that this has meant a loss of \$35 million to Canada, which would be about \$10 million in Ontario here, since the United States legislation was passed.

To this end I can suggest a recommendation for a tax credit scheme, to be complemented by the provincial governments in conjunction with the federal government, for Canadians vacationing at home. This could be accomplished by way of partial reimbursement for hotel and transportation receipts, on a one- or two-year trial period, and would be just the kind of short-term initiative we might need to get our tourism sector rolling again.

When other sectors of our economy are in a slump, they receive special initiatives such as the automobile sales tax rebate and the home buyers' grant. Why not provide the same kind of assistance to our tourism sector?

Mr. Samis: John, those were in election years, you know that.

Mr. Eakins: I think you will agree that the \$30 million to the end of 1979 is a very small initiative indeed, Mr. Minister. The \$30 million initiative towards the removal of the accommodation tax is very small indeed when you consider what tourism means to Ontario, our second largest industry, and the employment that this creates. I think we could come up with much more stimulative measures than simply the \$30 million removal of accommodation tax.

I want to just say that I fully support your "We treat you royally" program. I think it is a good start, but I think it is only a start. The main follow up to this has to be the training program.

Mr. Chairman: All finished?

Mr. Eakins: I was just wondering if you are interested in carrying on the remarks here.

Mr. Chairman: Yes please, go ahead.

Mr. Eakins: I just want to say that the "We treat you royally" campaign is a start, but there is no point in telling people that we treat them royally if the people in the industry are not aware of how to treat people royally. I want to point out that you don't start simply with the people out in the fields who are dealing with the tourists. I think you have to start right here in Queen's Park. I haven't seen a great program of "We treat you royally" at Queen's Park. I think the people entering this building have to be treated royally by the people who attend the reception desks. I think occasionally you or your personnel should

take a walk around and see how they are treated royally.

Your ministry has to set the example. I know you're cutting down on staff, but the one place you can give a good impression to people approaching your ministry is to have someone sitting there to treat them royally and not to have just a telephone to pick up and dial the person you want to meet. If you're in the hospitality industry, that is one area within Queen's Park where you should have a very well-trained person meeting the public and making them feel it's a great pleasure to have them visit the Ministry of Industry and Tourism at Queen's Park.

When we proceed further with the "We treat you royally" program—and it's a great program, which I don't knock, because I think it's good and it's been a good start—I think the training program is the important part. It's not a short-term program. It's going to have to be a long-term program right across the province, because we just haven't realized the necessity of putting our best foot forward to make people really feel welcome. That's why many people compare us with southern hospitality.

I say let's start at Queen's Park. Let's not start by going out and telling the people who are in the tourism field they are the people who should be treating visitors royally. We should be having the royal hospitality right here at Queen's Park, starting with the minister, his ministry, the people we approach and the reception desk.

I've watched this, and I don't find fault with your ministry people. I just say it's time to replace the telephones with a person when approaching your ministry.

Finally, I just want to say how appreciative I am for the interest which has been shown by your ministry—and this is on a personal note—in my small business act. I feel that its implementation would be instrumental in rectifying some of the problems that exist in our industrial sector. I would like to express my hope that we will soon be discussing the act in committee, though I'm not going to hold my breath on that.

I want to say that last May or June we did meet with your late predecessor to discuss the small business act. Included in that meeting were a number of people representing the various segments of the industry across Ontario. I think that they were basically pleased with the small business act and with the amendments which have been made. The late minister did tell me that he would be bringing it forward this fall. However, I hope that in your capacity

as minister you will give full consideration to the background of this bill and will give it serious consideration.

The importance of the small business sector to the economy of Ontario and Canada cannot be overlooked. New job creation figures released by Statistics Canada and quoted by the Canadian Federation of Independent Business in its brief to the federal government are indeed startling. Perhaps the minister has read it, but I would like at this time to place it on record.

In the period 1969 to 1977, small firms with fewer than 20 employees created 1,084,900 jobs compared to total private sector job creation of 1,512,400, or a dramatic 72 per cent. In many of those years, small firms were making up for net declines in the large firms. In critical sectors, such as manufacturing, the pattern is unmistakable and calls into question all of our past notions of where future policies should be directed to create jobs.

From 1969 to 1977, small manufacturers created 317,800 jobs. Larger firms, mostly foreign-owned, actually shed 124,800 employees, leaving manufacturing with net additions to the work force of only 193,000. Throughout the latter part of 1977 and in early 1978 the figures have continued to confirm the trend, in some cases even more dramatically than in the earlier period. Small firms are creating 80 to 90 to 100 per cent, and in some cases more than 100 per cent, of the jobs in order to make up for the net declines in the large and foreign-owned sector.

I point to this data not for the purposes of casting scorn on large firms or to glorify the contribution of small firms. Clearly small firms cannot prosper in a climate hostile to business in general. Clearly too, larger firms employ a major portion of the existing labour force and improving their competitive position must remain an important goal. However, what the data reveals is that to get the biggest job creation effect for scarce public dollars, supportive policies should be focused on the sector which has shown it can use the nation's scarce resources to employ its surplus labour resources efficiently in every region of Canada.

Mr. Minister, these are some of my opening comments. I look forward to discussing some of these in greater depth as we proceed in the vote.

Mr. Chairman: Thank you very much. Our next speaker will be Mr. Wildman, the NDP critic for Industry and Tourism.

Mr. Wildman: Thank you, Mr. Chairman. Before I begin I would like to echo the

comments of the minister and Mr. Eakins in regard to the minister's late predecessor. John Rhodes was a neighbour of mine; he represented a riding that my riding surrounds. He was not only an able minister but a man who worked very hard not only for his area but for the whole province. We all suffered a loss with his untimely death.

I also want to comment in relation to the work of the officials in my area, as did Mr. Eakins, and as both of us did last year I believe, as well, to the extent that they have always been co-operative and helpful. It is a pleasure to be able to deal with them as it is with various members of your ministry at Queen's Park, as well.

Often when we study the—

Hon. Mr. Grossman: Aren't you going to congratulate the minister, as John did?

Mr. Wildman: Actually, I would be willing to congratulate you, but I would much prefer to congratulate your deputy.

Hon. Mr. Grossman: For obvious reasons.

Mr. Wildman: Often when we study the estimates of this ministry, members of the House become hung up on a debate of the ministry's programs in regard to tourism to the extent that the very important responsibilities of this ministry in relation to industrial development of the province are not debated adequately during the estimates. It is our position that we cannot afford to downgrade the industry section of the ministry at a time of economic crisis in this country by concentrating on one branch of the ministry. That is not a criticism of anyone, except simply to say that we feel that the minister's concentration on the industry portion of his ministry tonight, I think, is an indication of the seriousness with which all of us in this House have to look at the economic situation we face.

Despite the comments in the minister's message—that is his predecessor's message—in the Ontario Industry and Tourism Review to the effect that the province was "definitely on a recovery path," and that we could expect a growth rate of about four per cent, and I believe the minister said tonight he was looking at three to four per cent, we continue to face the highest unemployment since the great depression. It is a situation we have had to endure for some considerable length of time now, and is one that threatens to worsen. We experienced real growth of less than one per cent in the first two quarters of this year. We are also experiencing a chronic balance-of-payments deficit unprecedented in size. Since one of the major components of that deficit is our travel account, I think I

should deal with some of the difficulties facing our tourism industry before going on to discuss the manufacturing industry.

This year alone Canadian tourists will spend an estimated \$1.7 billion to \$1.8 billion more on trips outside the country than foreign visitors will spend here. I know the minister's comment was that this was the lowest jump in deficit in some time, but still it is particularly alarming to see that enormous figure. I hope the minister will be able to give us some indication of the economic effects of the "We treat you royally" campaign, as well as the indication of the number of people who knew about the program after it was instituted, and also the economic effects of the tourist promotion campaigns abroad, in the US, Europe and the Far East, that have been aimed at reducing this growing deficit. [9:45]

I would be interested too if the minister could give us some indication on what is being done in the other provinces of this country to attract people here, especially in providing French-language brochures on travel in Ontario. Last year I discovered there was a serious dearth of them in the ministry, not only for the attraction of tourism in this country but just to try and deal with some of the problems we face in Confederation today. I think we should be concentrating on the production of francophone literature.

Also, we want to hear the results of the ministry's attempts to put together package tours to attract European and Japanese tourists as well as visitors from the US. Hopefully they have been more promising than the ONR tour train that derailed on the ACR track north of the Sault last month during the promotional trip for the people interested in that tour.

Mr. Samis: How come Larry didn't tell us about that?

Mr. Wildman: Also, it would be interesting if you could indicate why it took so long to get a bus out there to get those poor people off the train and back to Sault Ste. Marie.

We would like to have a further report on the ministry's efforts to implement the Bulmer Crapo recommendations on the tourist potential areas in this province; the 17 areas that were studied, especially since David Little, who I am sure you know and who is a vice-president of NOTOA, stated in October in Sault Ste. Marie that "Little has occurred since the publication of the report on the Sault Ste. Marie-Wawa corridor and it is doubtful whether the report had any influence on the developments that did take place."

Hon. Mr. Grossman: He said that, did he?

Mr. Wildman: Yes, he did. Surely the ministry should be taking a more active role than simply forming a co-ordinating committee for studying the implementation of the report more than one year after its publication.

I would hope the minister would explain more fully the role of his ministry in the Cantrakon affair, as a matter of interest, and also on the present status of the continuing story of Minaki Lodge. In the minister's comments, he—

Mr. Kerrio: Make it a crown corporation.

Mr. Samis: That's free enterprise.

Mr. Wildman: —did say he hoped to be making an announcement soon in regard to the discussions he has had with the private sector. I would like to have some further information on both of these. First off, was the Ministry of Industry and Tourism consulted on the advisability of the Cantrakon development by the Ministry of Housing? If so, what was MIT's position?

In relation to Minaki, when does the ministry expect to receive an acceptable offer from one or more of the private firms approached for proposals for completion of the lodge? And when can we expect an announcement on how the minister intends to go ahead with it? In other words, what type of agreement is contemplated, that is, will it be a lease arrangement or a management contract or what?

I hope the minister will be able to be a little more forthright in answering these questions than the present Minister of Housing (Mr. Bennett) was when he held this portfolio, and also when he appeared in the Legislature to talk recently as Minister of Housing about Cantrakon.

Hon. Mr. Grossman: He was the minister at the time MIT was consulted.

Mr. Wildman: All right. Could you relate also, a little further, about the present status of the discussions within the government regarding the establishment of a hostelry institute? I believe that the Ministry of Colleges and Universities is now contemplating what they are going to do and I would like to know where that is at right now and what the position is of the government.

In general, I must say that although the Conservative government claims it is committed to stimulating the tourist industry in this province, its record in the north certainly doesn't always bear that out. The Ministry of Industry and Tourism appears to have been particularly ineffective in protecting some of the interests of the tourist

outfitters and the travelling public against the ill-advised policies of other ministries in northern Ontario. One has only to refer to the insistence of the former Minister of Natural Resources (Mr. Bernier) on a 75 per cent increase in provincial park camp fees over the objections of the former Minister of Industry and Tourism last spring. At that time the minister's predecessor pointed out in Sault Ste. Marie, and in the House, that camping fees in our publicly-owned parks were now higher than the state park fees, and that states like Michigan might become destinations for camping tourists. This prediction appears to have been borne out since the new Minister of Natural Resources (Mr. Auld) has admitted the higher fees have contributed to a province-wide decline of 11 per cent in camping in provincial parks this year, with an even greater drop in northern Ontario parks.

Even more alarming is the fact there does not appear to have been an equivalent increase in campers using privately-owned campgrounds. It appears more and more campers who don't choose to stay home, or to go to Michigan destinations, are simply camping on crown lands at boat-launching sites, picnic grounds or forest areas without garbage or sanitary facilities. This causes additional costs for the government in attempting to clean up after such campers. Also it is very disturbing, especially to tourist operators in fly-in operations in some parts of the north—for example around the White Lake area. There have been a large number of complaints from these operators about people camping on crown lands and not being cleaned up after.

What is the minister's position on this matter? Does he agree with his late predecessor, or with the Minister of Natural Resources? What representations has he made to MNR? It also appears the ministry has had very little success in influencing the Minister of Energy (Mr. Auld) or the Minister of the Environment (Mr. Parrott) to take action to protect tourism in other ways. The Minister of Energy steadfastly refuses to take action even at the urging of his colleague, the member for Algoma-Manitoulin (Mr. Lane) and my other neighbour, to equalize gasoline prices across Ontario, even though the exorbitant prices set by the oil companies in small communities is the single greatest obstacle to increased tourism pointed out by most outfitters in rural areas.

Next to that is the serious depletion of our fish and game. Yet the Ministry of Industry and Tourism remained very quiet when the former Minister of the Environment decided

to give Inco and Reed Paper pollution control extensions which allow them to continue polluting and killing lakes and fish life.

How does the minister view his role? If he is an advocate, as he has indicated this evening, for tourist operators, what is he saying against such ill-conceived policies of the government? When will we hear from him? We believe it is necessary for us to take action to attract more travellers to Ontario to try to reduce the enormous travel deficit.

As I stated in last year's estimates however, I would be remiss if I concentrated on these issues rather than on the ministry's failure to develop a more stable economic and industrial base in this province. This must be achieved if we are going to overcome our serious economic problems. The C. D. Howe Institute, which is hardly a socialist organization, has warned that "If unemployment continues to rise in the next year, there will be a large new class of unemployed." For too long the Ontario government has failed to recognize action was needed to deal with the basic structural weaknesses of our economy—actions that in the long run would stimulate secondary manufacturing and provide jobs. Indeed, in the past, the government tried to ignore these structural weaknesses and it's refreshing this evening to hear the minister deal with them at such great length.

In February 1978 TEIGA admitted that generalized fiscal stimulus wasn't providing the jobs that were required, especially for certain groups in the population and areas of the province that are suffering chronic joblessness. Apparently, when even Robert Scrivener, chairman of Northern Telecom, and one of the government's good corporate friends, I'm sure, had to admit that "Canada is a declining industrial power," the Tories in Ontario began to heed the warnings of independent observers such as the Science Council of Canada and the socialist opposition in the Legislature.

Mr. Kerrio: What happened to him? What was he on that night?

Mr. Wildman: It has become increasingly clear to most observers that our economy, with its present structure, is incapable of creating useful employment for our existing labour force, let alone satisfying the need to accommodate successive waves of job seekers emerging from secondary and post-secondary schools.

Between 1970 and 1976 Ontario's labour force increased by 801,000 to 3,931,000 while actual employment grew by only 693,000, leading to an increase of 108,000 unemployed.

Currently 312,000 people are out of work in Ontario, a rate of 7.3 per cent. We face an influx of an average of 200,000 school leavers each year from now until 1985, but the Ontario economy is only providing about 100,000 new jobs each year. Youth unemployment is already running at 12 per cent in this province. The Ontario Economic Council forecasts that manufacturing jobs in this province will grow by only 11,000 jobs per year over the next 10 years, which is not nearly enough.

The inability of our economy to generate the new jobs needed, as well as international pressure to lower tariffs against imports, apparently has forced the ministry to re-evaluate its complacent position. With the OEC pointing out the major reason for our economic problems was the fact that Canada, unlike most industrialized countries, was developing a large service sector without going through the intermediate phase of first developing a large indigenous secondary manufacturing sector, the ministry has apparently come to the conclusion, as it expressed in its draft submission to the federal government on the adjustment assistance program in connection with GATT negotiations, that "Basic indices of industrial performance generally serve to reflect a manufacturing sector that is not only weak but in a state of fundamental disequilibrium." We've been telling this government that for two years.

At any rate, it's gratifying to read the working papers for the submission of the province to the federal government with respect to the adjustment assistance program for Ontario manufacturers and to realize the NDP's analysis of our economic structural problem has influenced ministry officials.

Hon. Mr. Grossman: I wouldn't go that far.

Mr. Wildman: As they now admit, Ontario and Canada are experiencing a decline in manufacturing activity.

Mr. Kerrio: They'll print 10,000 copies of that.

Mr. Samis: Your leadership opponents would use it against them, wouldn't they?

Mr. Wildman: In the 1960s, annual employment in manufacturing grew by 2.3 per cent, but in the 1970s the growth rate has fallen to 0.7 per cent per year. Manufacturing has been declining in importance in comparison to service industries, but the government accepted this as a sign of emerging post-industrialism.

Governments have been uncertain about the best method to stimulate growth of jobs and have concentrated on services, forgetting the basis of Ontario's economic strength lies in manufacturing capacity. As a result, in-

dustry stagnated and became even less competitive. Raw materials, food and tobacco increased from 26.5 per cent of Canadian exports in 1969 to 39.6 per cent in 1975. In Ontario in 1976 end products, that is excluding auto, amounted to only 18 per cent of our exports. Since 1973 Canada has experienced a chronic deficit in balance of payments of between \$4 billion and \$5 billion. The main component of this deficit was in end-product trade, which was an \$11.1 billion deficit in 1977. Canada's growth of imports has exceeded that of exports by 15.5 per cent. This country exports \$28.1 billion worth of raw and semi-finished resource products and imports \$26 billion worth in manufactured goods. This country imports more manufactured goods than any other industrialized nation. As the science council points out, Canadian manufacturers have been steadily displaced in their own domestic market.

One of the things we'd like to have clarified in your approach to this whole problem is whether or not you're going to concentrate on trying to deal with the problem in the domestic market or whether you're going to concentrate on exports.

[10:00]

One of the reasons for this trend, of course, is the low productivity of Canadian industry as compared especially to American industry. Lower productivity results from a combination of factors including size of operation, managerial decisions, level of innovation as well as labour. Since recent lower wage settlements and a decline in the value of the Canadian dollar mean labour productivity is now keeping pace with the US, lower productivity here indicates poor performance by management and capital in Canadian manufacturing.

The ministry's own analysis indicates that the basic weakness in our industrial development is our branch plant approach. As the ministry's draft submission states, "The foreign subsidiary is an all too common form of manufacturing entity in Canada and 69 per cent of the capital employed in Canadian manufacturing is controlled by non-residents."

I hope the minister's statement this evening in regard to this structural problem isn't downplaying the foreign ownership problem we face in this province. Of the 100 giant corporations that control almost half the manufacturing activity in Canada, two-thirds are foreign-controlled. Ninety-nine per cent of the rubber industry is foreign controlled; 96 per cent of the auto and

auto parts industry; 85 per cent of the chemical industry; 71 per cent of the electrical goods industry; 63 per cent of the agricultural equipment industry; and 57 per cent of the transportation equipment industry.

The Foreign Investment Review Agency has been particularly ineffectual in stemming this tide. In 1977-78 only 4.4 per cent of applications for takeover were rejected, and only 4.5 per cent of the applications for new investments were denied.

The Ontario Ministry of Industry and Tourism has input into FIRA decisions and according to the federal agency over 95 per cent of FIRA final decisions are "compatible" with the province's position. If this is correct we can conclude that the provincial Tory government is as eager for foreign investment as are the federal Liberals, despite the concerns they express in papers for discussions between governments.

This pervasive domination of our economy by multinational corporations and other influences from foreign control can impose real restraint on our ability to take initiatives in the industrial sector.

A study by the US Senate on the activities of multinational firms in Canada and other countries made some significant observations on the effects of this branch-plant approach to development. They found that American capital was invested in this country to gain access to our resources and to provide markets for their goods, technology, machinery and parts. The branch-plant system can only undermine the already weak manufacturing base here and make a high manufacturing trade deficit an inherent characteristic of the Canadian economy.

Although a Canadian government analysis predicted—and I am quoting here the US study—that foreign capital would assist in spurring economic growth, the US study shows Canadians failed to see that quantitative growth would not necessarily lead to qualitative development. In fact, we're a nation of assemblers rather than manufacturers and a great part of our deficit is in parts and components.

Canada achieved economic growth without industrial development while the American economy prospered, as the minister alluded to tonight. Instead of leading to economic maturity and then levelling off, direct foreign investment in Canada grew astronomically, reaching \$75 billion in the mid 1970s. Rather than moving beyond dependence on resource exports, Canada's economy became more critically linked to them than ever. With an immature branch-plant manufacturing sector,

Canada is incapable of producing even half the machinery used here. Canada is dependent on the US for new technology, is unable to compete in her own domestic market and is confronted with low productivity and trade deficit. Those are the conclusions of the US study.

We intend to go into more detailed discussion on the various problems facing the auto parts and auto industry, machinery, electrical products and the textile industries, as a result of these structural deficiencies and the multilateral tariff reduction talks later in the estimates by some of my colleagues from the caucus.

The multinational firms controlling our branch-plant system have little concern for the interests of the countries in which they operate if those interests conflict with the maximization of profit. Multinationals have a tendency to shift their operations to low-cost countries or to the home country when times are bad and summarily close Ontario branch plants. This results in widespread unemployment, shortfalls of tax revenue, lack of investments, higher trade deficits and a poorer balance of payments.

The science council observes that "The relocation or failure to expand decisions by US multinationals with subsidiaries in Canada are showing an unwelcome increase. In 1977, for the first time in US Commerce department records, figures show that US parent companies took more funds out of Canada than they committed in direct investment. The net loss for 1977 was \$440 million, compared to an annual net inflow of \$500 million during the past decade."

Because of this predominant investment power of multinationals, the Ontario and Canadian governments can be held up for ransom, as the Ford deal demonstrated. I hope the minister, in his comments regarding incentives, is not advocating the merry-go-round of grants that Mr. McKeough warned us about before he resigned.

The black humour in all this, of course, is that it is a myth that Canada needs foreign investment of this magnitude in order to have industrial development. In fact, between 1973 and 1977, direct investments by Canadians outside of this country were larger than investments made here from abroad. Also, in 1973 and 1974, 86 per cent of US investment in Canada was financed by subsidiaries' own funds generated in this country. At the same time, in 1974, more than \$1 billion left Canada in dividends—the other major element besides end product imports—contributing to our balance of pay-

ments deficit. Capital required to develop our manufacturing base can be generated here.

As the ministry pointed out in its draft submission paper, the investment attraction of low-wage American states and foreign countries to multinationals "has given added impetus to the importance for high-cost economies, such as Canada's, to develop an ability to compete on such non-cost bases as product design, innovation and quality."

Certainly, the conference board studies show that companies involved in R and D have had a much higher rate of growth and productivity improvements since 1961 than those that aren't. But the branch plant structure of our economy leaves most of the decision-making authority on research and development functions outside this country.

As a result, we see the figures alluded to by the minister in many of his speeches lately. Namely, that Ford, General Motors and IBM in the US spend more on R and D than all Canadian industry put together. It has also been estimated that as much as \$200 million has been spent on R and D in the US by Canadian subsidiaries.

The science council says that the lack of innovation in Canadian industry is rooted in its branch plant structure, with its heavy reliance on imported technology through the medium of foreign-based end-product manufacturers. They conclude that most existing programs aimed at promoting more innovation of products here fail to come to terms with this structural problem. That's certainly true of the minister's proposal of the 10 per cent incentive.

Branch plants could be encouraged by the proposal to simply transfer operations from the US or abroad to Canada until the incentive period runs out, and then to transfer it back. There is little economic incentive for the development by branch plants of truly indigenous R and D. Since high technology goods and services are available from the parent company abroad, the underdevelopment of Canadian manufacturing innovation is inevitable.

Even though the ministry finally recognizes the problem inherent in the branch plant approach, trips abroad to attract capital—and even the Ford deal—indicate that the government's attitude seems to be that "Any jobs are good jobs, whether they are produced in branch plants or not." That's from the *Globe and Mail*, I'd point out.

Mr. McClellan: Is that Grossman himself? It sounds like him.

Mr. Wildman: We aren't advocating that to have more research and development we

need more multinationals operating in Ontario, as the minister seems to have indicated in his recent Oakville speech.

Mr. Makarchuk: Somebody reads your speeches.

An hon. member: Not many.

Mr. McClellan: It's like a Chinese torture.

Mr. Samis: That was a forgettable speech if there ever was one.

Mr. Wildman: I found it kind of amusing actually. It was really an amalgam.

Mr. Samis: It certainly was. It was a mish-mash.

Mr. Wildman: What we need to encourage is a viable, innovative secondary manufacturing industry serving our domestic market.

At the Premiers' conference, Ontario recommended that there be safeguards for the Canadian share of technology development, investment, employment, value-added and sourcing of supply for Canadian subsidiaries of multinationals. The Premier also advocated the development of policies designed to utilize the talents of Canadian graduates to reduce Canada's huge balance-of-payments deficit in the important services of managerial, technical and marketing know-how.

The Premier's recommendations, unless they are backed up by legislative clout and perhaps not even then, are probably impracticable because of the branch plant structure of our economy. They certainly betray a basic lack of understanding of the magnitude of the structural problems that we face.

Again, to quote from the same article in the *Globe and Mail* by Hugh Winsor, he says: "It's going to take more than preaching to get branch plants to change their act." I'd like to know how the minister intends to do it.

Hon. Mr. Grossman: Keep reading the speeches.

Mr. Samis: What a punishment!

Mr. Wildman: No. That's one of the crosses I have to bear.

Obviously, if we are to solve our serious unemployment and balance-of-payment problems what is needed is a major overhaul and basic restructuring of our economy to diversify and develop secondary manufacturing. The minister has said—and again you can see I read his speeches—"It is important for government, industry and labour to co-operate in facing up to some of the structural problems in manufacturing in this country."

I hope he can explain what exactly he means by that and what role he sees for the provincial government in this exercise. I hope

the minister's answer isn't simply going to be a continuation of the ad hockery in some cases and the passive approach in others of agencies like the development corporation, since the government's past record to date has been wanting in the extreme.

We have only to use my own area as an example. In Sault Ste. Marie we have the second largest steel mill in Canada. The steel industry, of course, is Canadian-owned and doesn't suffer from the truncated existence of most of the other industries operating in Ontario. It is a viable operation, located near the ore and on the main shipping route in North America, and it is expanding.

There has been almost no secondary industrial development as spinoff in the area though to provide further employment. Unlike Hamilton, where 27 per cent of the labour force is engaged in steel-related secondary manufacturing, only two per cent of the Sault's labour force is similarly employed. Despite the various initiatives by the provincial government, the pattern of the Sault Ste. Marie-Algoma district economy has not changed.

The NODC has been ineffective. The amounts of money involved in its loan programs have been trivial, given the size of the task. For the Sault, NODC has provided industrial and tourist loans averaging \$484,000 and creating only 26 or 27 jobs each year over the last 12 years. In the Algoma district, the NODC has averaged less than \$300,000 per year, producing 18 jobs per year.

The record looks even worse if returned loans and bankruptcies are taken into account. In the Algoma district, these loans accounted for three quarters of the jobs that were projected and, in Sault Ste. Marie, for 21 per cent of the jobs projected. In addition, NODC does not monitor the job-creation performance of the successful business loans.

What on earth is the reason for that? For instance, in your speech tonight you mentioned 50,000 jobs created by the programs of the development corporations. How on earth do you know that if you don't monitor the job-creation performance after the five years?

Mr. McClellan: Leo tells him.

Mr. Wildman: In March 1976 the North-eastern Ontario Regional Strategy Conference recommended that NODC should be strengthened and given broadened powers.

Mr. Kerrio: What else has the government got to do?

Mr. Wildman: The report also suggested that the Sault should have its own office.

Since that report, only eight loans with a projected job potential of 40 have been received by Sault businesses. Why hasn't the ministry followed up on these proposals made in 1976? Also, as an aside, what is the ministry's position on the recent proposal NODC and UDC be merged with ODC? Shouldn't they be given more autonomy, not less? Shouldn't they have more power to take the initiative in planning and encouraging developments rather than the passive banking and advisory roles they now fulfill? Obviously, unless their efforts are co-ordinated within an overall industrial strategy for the development of secondary manufacturing in Ontario, they're doomed to failure.

Finally, I urge the minister to clarify for us what the government's approach will be towards its role in dealing with these problems. On the one hand the minister is saying that the government will take an active role in the economy to face up to these structural deficiencies, while on the other the whole philosophy of this Tory government appears to be one of glorifying the limitation of government intervention.

If the minister is advocating an active government role in bringing industrial development, will that activism simply embody the ad hoc incentives policy using some sort of industrial slush fund as was the case in the Ford plant deal? If this is the approach, how can the minister square that with the position taken by the Premier last March when he wrote, "We expect a fair deal and not an auction block deal in which the highest bidder wins"?

It's our position that since private corporate planning in regard to investment, production and technological development has not solved, and indeed has worsened, the problems facing our economy, planning must be broader in its considerations and much more democratic. We must take up the challenge of developing the province's industrial economy. It can't just be left to unfettered capitalism. Government must provide leadership and direction in the economy, especially to counterbalance the adverse consequences of foreign ownership. We must recapture the domestic market for manufactured goods. The Shop Canadian program must be strengthened, particularly with regard to government purchases, Mr. Chairman.

Canadian concerns must be provided with better financing, management training and market counselling. Areas of high technology manufacture suited to Ontario must be identified and domestic research and development encouraged. We should consider establishing an Ontario product innovation agency—as

advocated, by the way, by my colleague from Downsview. Such an agency would advise on developments in key industries in the area of sourcing of new technology, and lobby end-product manufacturers and governments to link the two.

The serious economic crisis facing us makes it imperative that we develop an industrial strategy aimed at strengthening a secondary manufacturing industry to serve the domestic market. We require a complete redirection of our economic policies and a new look at our value system. The economic crisis will not respond to conventional tinkering. Massive change is necessary. Short term or superficial measures will not revive an economy whose weaknesses are so deep rooted and long standing.

We can no longer afford to mortgage our future by exporting more and more raw materials to pay for our deficit in manufactured goods. The problems of foreign control must be grappled with at the outset with boldness and imagination. If the government encounters concerted resistance from multinationals to co-operation in developing viable secondary industry here, it must be prepared to facilitate the setting up of joint ventures or if necessary, crown corporations to direct investment capital.

There must be social input into decisions on timing and extent of investment and expansion, manufacturing and marketing innovation. The ODC should be given powers necessary to exercise such influence. We cannot be a modern industrial province with a vibrant manufacturing base unless we nurture, develop and concentrate more on high technology. The challenge we must meet is to make our economy more self-reliant and to come to grips with the structural problems that exist because of past neglect and because of our dependence on foreign corporations.

Mr. Chairman: All through, Mr. Wildman?

Mr. Wildman: Yes.

Mr. Chairman: Thank you very much.

Mr. Minister, would you care to respond?

Hon. Mr. Grossman: I guess we have about nine minutes. Mr. Chairman, I thought I would make some preliminary comments here and we'll have some short but to-the-point responses when we next meet. I suppose that is Tuesday.

Mr. Chairman: Next Tuesday, that is correct.

Hon. Mr. Grossman: I thought I would respond to some of the matters raised rather quickly. First of all, throughout my remarks to a quite limited extent, and those that

followed to a greater extent, there was the use of statistics to argue one side or the other of the state of our economy. I just wanted to say for my part that, because the same statistics can often be used to tell different sides of the same story, and because things intervene such as the difference in dollars when you compare 1964 to 1978, or even 1975 to 1978, you will find that I will tend not to rely upon statistics, using those types of terms.

So often, for example, you can take whatever sector or portion of a sector and relate that to whatever period of years best suit the argument you are trying to make. So, for the course of these estimates, and for the next while, I think you will find us tending not to rely upon our interpretation of the statistics that we find most favourable to the case we are arguing.

I want to say to Mr. Eakins that we appreciate most of what he said. His remarks have been very constructive, both tonight and over the years with the ministry. I think it is fair to state though that we do not in fact accept the deficit in our travel account. We will be moving actively and aggressively to see if we can't do substantially better. We don't pretend, for example, that the activities of one province alone might be sufficient to wipe out the deficit entirely. We will try, and we hope we can, to reach that goal.

One of the things we were saying in Ottawa at the tourism ministers' conference most recently was that federal government should spend more of its dollars advertising in the markets which are difficult for a province to reach or to sell itself to. Those, of course, are the German and Japanese markets, to name two. Those are the places where a national sales pitch, a Canadian one, would be most effective, rather than an Ontario one, which is a place most of them won't have heard of. We would like to have their money spent in Canada rather than in the United States, and let the provinces—Ontario would be happy to go it alone, in that sense—advertise Ontario in the United States.

We will get into more depth about the various recommendations Mr. Eakins has made with regard to taxation. Certainly I would be hopeful that the Treasurer, because of his particular background in the tourism industry, would be most receptive over the next period of time to much of what we have to say.

We will be getting to the small business act further as well. I should reaffirm what I said to the Legislature. I really didn't want to rush into the House this fall with a small business act because I just wouldn't

have felt comfortable at that stage, picking up the documents and going into the House. I will have something for the next session of the assembly next spring.

I hope to spend a lot of my time between now and next spring looking at Mr. Eakins bill, looking at the results of the meeting which is reported to me as having had something less than the successful consensus Mr. Eakins interprets. In any case, we will be looking at those things and some other matters in the next few months.

Any comments and suggestions that might come up during the course of these estimates, I would be most anxious to receive, so that we can have all that input as we work toward something in the spring.

I should say we have spent a lot of time, both here and in Ottawa, talking about the role of small business. Indeed, when we talked about R and D incentives in Ottawa, we made the point that most of the budget schemes developed to encourage R and D in the last budget didn't go as far as Ontario would have gone in looking after small business. We favoured extending a tax credit for R and D to a rebate scheme, since so many small businesses would not have sufficient taxable income to take full advantage of an investment tax credit. Ontario had indicated its willingness, to the extent that Ontario's tax dollars might be involved, to participate in a rebate scheme to those small- and medium-sized businesses which so badly need the research and development incentives that the budget addressed but did not address sufficiently.

I want to leave most of our tourism dialogue to my response on Tuesday and the particular vote in question.

Moving to Mr. Wildman's comments and picking up something Mr. Eakins said about the hostelry institute, we hope to have something on that in the not too distant future. I am happy to report that our efforts to this point have been made in conjunction with my colleague the Minister of Colleges and Universities and in conjunction with the community college approach. We think the facility is there, we think it's the right way to do it, and if we can succeed in working out something in the next short time frame we hope to have something to report. I'm a big booster of that sort of approach; I think it's badly needed and one that has a proven track record in other jurisdictions.

The branch-plant issue has been raised; indeed, I've raised it on earlier occasions, and I hope Mr. Wildman picked up my comments with regard to the problems in my statement.

We do recognize it; we don't pretend it's not there.

He has referred to our role with the Foreign Investment Review Agency and to FIRA's role itself. I have been critical of FIRA. I don't think it's fair simply to say that only 4.5 per cent of the applications were rejected. If FIRA were set up simply as a board to block applications, then that might be a fair measure. But, in fact, FIRA was set up to try to determine the conditions upon which companies ought to be permitted to make these investments in Canada, and we haven't been shy about participating in all that. Clearly, though, we have to rely upon FIRA, as the vehicle through which some bargaining goes on with the people who come in to invest, to get the best deal for Canada that might be offered.

I think it's fair to say that we don't reject all foreign investment. We have not objected to very many of those on behalf of the province. We just feel that we're in a position where we must strike the best bargain we can.

There are obviously certain circumstances where we do oppose some of these applications. On the other hand, I think we owe it to Canadian workers who are looking for those jobs not to oppose applications. We owe it to Canadian industries who do sometimes benefit from the location of those industries here in Ontario. I refer to Mr. Eakins' remarks, for example, with regard to the need to have the congress centre here. Obviously that's not a matter of foreign investment, but he referred to the benefits in construction and other ancillary industries that would result from that sort of construction. Clearly, some of the American investment here does boost some Canadian-owned and operated smaller businesses.

We see our role as being to deal with that problem while not shutting out foreign investment, seeing if it can't come in under better circumstances and striking a better bargain and a better deal on behalf of Ontario residents. At the moment, we have FIRA to work through, for better or for worse.

Some of the tax policies that have been referred to are vehicles which could possibly be used to deal with this problem in some measure. FIRA should not, and is not intended to, shut the door completely; else, we could save the money on FIRA and simply pass a law saying there shall be no new foreign investment in Canada. I don't read the remarks of even the member for Algoma as saying we should go that far.

As I wrap up, I want to say that, if I get to the question period on time tomorrow—which I didn't today—I will be reaffirming the fact that the Wiseman committee did not recommend that the Northern Ontario Development Corporation and the Eastern Ontario Development Corporation be wound up and that they be combined with the Ontario Development Corporation. In fact, the Wiseman report simply suggested that the administrative mechanisms be combined with those of the ministry itself; simply, that the administrative functions such as payroll and personnel should be combined to save some money within the ministry. There was no suggestion whatsoever that there should be any structural or policy change in the role of NODC, its special programs or its field offices.

Finally, may I say quickly—and I will expand a little bit later on the question of research and development—that we have made quite clear to the federal government that aiming for a new national target of R and D by 1983 simply isn't the right thing to do. You could achieve that target simply by pouring millions and billions of dollars into universities, creating there centres of excellence or whatever. We think the important thing is to see that the R and D occurs in the right places for the right reasons and is done by the right people in order to address the very structural problems that we talked about tonight and we will talk about more next Tuesday.

Mr. Chairman: Thank you very much, Mr. Minister. We've run out of time; so we shall adjourn until next Tuesday night at 8 o'clock.

The committee adjourned at 10:31 p.m.

ERRATA

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R-40	R-1124	1	1	Mr. Humphries: If it was towing in an

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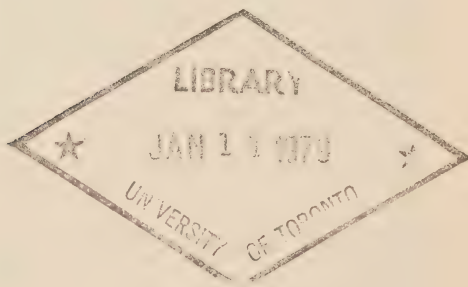


Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Industry and Tourism



Second Session, 31st Parliament

Tuesday, December 12, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

TUESDAY, DECEMBER 12, 1978

The committee met at 8:13 p.m.

ESTIMATES, MINISTRY OF INDUSTRY AND TOURISM

(continued)

Mr. Mackenzie: On a point of order: Because I imagine we will be going the rest of the evening on it, is it possible to raise with the resources development committee something that has to be settled, I guess within the next day or two? We have to decide on some kind of a time frame for the four or five major items, certainly, that have been referred to this committee. I'm not locked into any particular time during January and February, but I have a suggestion to make for the sake of argument, if you want it on the floor. Then we could see if it fits other people's time schedules. I can change. This is just a suggestion.

Mr. Chairman: One of the problems we have is that the majority of members sitting here this evening are not actually members of the committee. Until we get a better representation, Mr. Mackenzie—

Mr. Mackenzie: Can we toss the dates out, then? Because we're going to have to get to them. We have to make that decision this week.

Mr. Chairman: We'll have to make it this week, right. We'll be sitting tomorrow morning and afternoon and Thursday evening, so perhaps we can take a poll of the members of the committee and decide on a date for meeting.

Mr. Mackenzie: There has been some discussion. As I say, it is absolutely flexible; but maybe it could be taken back to the members in each party—

Mr. Chairman: What we'll do, Mr. Mackenzie, is perhaps call the members of the committee tomorrow morning and find out whether they would be available for whatever times in January and February.

Mr. Mackenzie: It would make some sense to have some ideas—

Mr. Hall: Has it been referred to the committee?
[8:15]

Mr. Chairman: What we are trying to do, Mr. Hall, is first to decide on the availability

of members after the first of the year; to get the opinion of the members as to when they would like to sit. We can decide on what matters to go into once we decide on the dates.

Mr. Hall: Oh. I thought there had been some specifics referred to.

Mr. Chairman: Well, yes, there have been—

Mr. Mackenzie: The acidity and the control orders were part of the liquid industrial waste discussion that we didn't get to in the committee. The understanding was that those would be done in January. I understand there are also a couple of other bills that have been referred to the committee.

Mr. Eakins: Not being original members of the committee, perhaps we are not aware of those. But we could certainly talk to the members.

Mr. Mackenzie: Murray Gaunt is a member and I know he has been in on some of the discussions of timing. I just thought it would pay to have a couple of dates suggested.

Mr. Johnson: Mr. Chairman, may I make a suggestion? The committees have been struck. Each caucus has set up the committees—at least, if they haven't, they will do so within the next day or two. Why can't we leave it until Thursday night and instruct the members who are interested to show up and express the dates they prefer to sit, as Mr. Mackenzie has suggested? These are the members who will likely be in attendance, anyway.

Mr. Mackenzie: The House leaders have suggested that we come up with our own times. That's the only reason I suggested having some dates to kick around with people. I don't see anything wrong with that.

Mr. Johnson: But if we mentioned to each caucus that Thursday night would be the night, we would determine the dates—

Mr. Mackenzie: I think you are leaving it a little late. That's all I'm saying about it. You may have to do some manoeuvring. There may be some people who will want to request having a week here and there clear.

Mr. Eakins: We can talk with our people tomorrow.

Mr. Hall: I'd like to suggest we try to get a response tomorrow morning and resolve this.

Mr. Chairman: All right. The members of the committee from the Liberal Party are Bolan, O'Neil, Julian Reed and Riddell. From the NDP we have Bryden, di Santo, Mackenzie and Wildman. If each opposition party will look after its own caucus, I will undertake to look after our members and find out, perhaps, for tomorrow.

Mr. Mackenzie: In the spirit of co-operation, we have decided on a period that was okay. But, as I say, we are open if that is not convenient to everyone.

Mr. Watson: How much time do we have to put in?

Mr. Mackenzie: Our suggestion, and I gather it has been discussed, is that there be two weeks allowed, with an option on a third.

Mr. di Santo: Can you suggest a date, just for the sake of argument?

Mr. Mackenzie: For the sake of argument, I have changed them, because they are not hard. They would be the week of January 22 and the weeks of February 5 and 12.

Mr. Chairman: Is that agreeable to all the members?

Mr. Mackenzie: I think they will have to discuss it.

Mr. Chairman: All right. Mr. Minister, would you like to make a few comments? Before we get into the nitty-gritty of vote 2201.

Hon. Mr. Grossman: I will spend most of the time for my rebuttal on tourism matters without falling prey to what someone complained about earlier—that is, spending too much time on tourism. But I do think the tourism sector warrants that attention and I did want to spend some time addressing that.

Mr. Laughren and others who are here tonight weren't here the other day. I know they will perhaps want to address some new and different matters from those addressed by their colleagues earlier. So I would rather leave them the opportunity to make those new remarks on the industrial side.

I would like to refer to some of the specifics mentioned by Mr. Eakins and Mr. Wildman the other night. First: I should like to indicate that, among the matters that are literally on my desk for consideration right now, are some new concepts in terms of travel information centres. We think we have to improve them substantially. It will include some investment in terms of dollars, new design and so on, but we recognize the need to do

that and I hope to have something in the not too distant future on that.

We are exploring an Ontario reservation system and currency exchange problems at a border points and, notwithstanding the difficulties faced last year in the abortive grading attempt, it is my intention to see what we can do in terms of getting that project alive again and seeing whether we can't move the grading project back to the front for a while. That, of course, will involve some discussion with some portions of the tourism industry which were not supportive of the grading exercise. I would hope that members of the committee might be supportive of our effort in that regard and let those members of the tourist industry who are not supportive of that concept know of their support if they are supportive of that concept.

I should confirm that we will maintain our call-collect access for travelling consumers which has been one of the very successful aspects of our program.

I should point out that there are several remedial forces at work in the marketplace—we discussed some of these the other night—that should affect the deficit in the year ahead: the elimination of the room tax at the end of 1979, the devalued dollar and the closing gap on travel prices relative to the United States.

This return to parity somewhat will, I hope, have a marked effect on stimulating demand from the United States. However, I do think it's opportune now to express a cautionary note; that is, if the private sector moves too quickly to raise prices, then we could easily see a return to the price spread of the mid-1970s, which we feel contributed somewhat to the downturn in tourism revenues from the United States.

Another major concern we have is that private sector investment has not proved equal to the task of developing the province's tourism plant to keep abreast of the new tourism developments in other jurisdictions. We referred to this also the other night. These other jurisdictions now are catering to the same tourists who not long ago might very well have selected Ontario as their prime vacation destination.

To combat this problem, we are, as I indicated earlier, actively involved in assisting and encouraging the private sector to invest in significant tourism attractions and resort developments in this province to ensure that we once again have those specific attractions that will get people who used to come to this jurisdiction.

I share the concern of many of the members of this committee about retail sales taxes

on food and beverages, but I must point out that in general terms Ontario is in many ways fortunate compared to some other taxing jurisdictions. The present \$6 exemption makes virtually all breakfasts, luncheons and take-out meals, plus a number of supper meals, available still without tax. This is not the case in most provinces and states in the United States which provide minimal exemptions in some cases and no exemptions at all in other cases.

We are continuing to study these differentials, and we will have more to say on that both to the House and to the Treasurer (Mr. F. S. Miller) at a later time.

I should point out that we were very supportive of the temporary removal of sales tax on accommodations, and we think it has made a beneficial impact on the competitiveness of Ontario's accommodation industry.

We are also well aware of the implications and possible effects of the property tax reforms on the tourism industry, particularly the seasonal resorts, marinas and enterprises serving the recreational needs of our citizens and visitors. We propose in terms of our advocacy role, to keep a close watch for any unfair or unworkable application of tax reform laws. Representations to the Treasurer will be made when necessary. We simply are not prepared to stand by and let operators be taxed out of existence.

We have noted some of the recommendations that Mr. Eakins has put forward. We would point out that one of the recommendations, if I followed it correctly the other night, would reduce the current tax on meals from 10 per cent to seven per cent. In fairness, I am obviously supportive of anything that will make the cost of tourism more attractive in this province but, in order to get a fair balance on it, we should look at the cost benefit of that move. For example, on a \$10 meal, that would save some 30 cents. I wonder whether that is a substantial enough saving if we're going to look at the whole area of tax changes.

We have, of course, given some consideration to the tax credit scheme for Canadians vacationing at home. I think the member the other night acknowledged such a scheme did have some problems in terms of its workability, enforcement and so on.

The Powell task force which is part of the process of analysing the sectoral situations, examined the tax credit proposal, which is one that has been around for some time. Indeed, they concluded it was too complicated a scheme to recommend. We have therefore concluded we ought to be concentrating on proposals that will make travel at home more

affordable by reason of lower prices, not rebates.

I referred the other night, I think, to the question of a convention centre in Toronto. Certainly, our ministry is actively working on this situation. We've been working with a private sector committee in concert with municipal officials to investigate this matter. We funded a study on the feasibility and economic benefits to Toronto of this major congress or convention centre. We expect to be in receipt of that study shortly and we'll have more to say on that in the months to come.

As well, on the question of a hostelry institute, I should point out the private committee chaired by Mr. John Arena is now reviewing its recommendations with ourselves and the Ministry of Colleges and Universities. The committee has documented the need for increased training in the skills associated with that industry. I think we have all agreed the most appropriate vehicle for accomplishing that would be through the Ministry of Colleges and Universities.

I am fairly optimistic at this stage that a mutually acceptable solution from the standpoint of both Mr. Arena's committee and the Ministry of Colleges and Universities will be found in the very near future. Certainly, we are playing a very active role in those discussions.

The member for Algoma (Mr. Wildman) raised the question regarding the tourism potential in the Sault Ste. Marie area. Far be it from me, at this particular point in the history of the province, to neglect the questions he raised about the great riding of Sault Ste. Marie. My ministry has indeed prepared studies of the three tourism development areas which were identified in the Balmer, Crapo provincial overview, Framework for Opportunity.

One of these covered the Sault Ste. Marie-Wawa area. My officials are working with private sector interests on a number of possible developments. I can point out three quite significant ones—a resort on St. Joseph's Island, a major four-season development at Batchawana Bay and a resort built around King Mountain.

In the case of King Mountain, my ministry and the Ministry of Northern Affairs are sharing two-thirds of the costs of an in-depth market feasibility study for this project, the other third being paid for by the private development group.

I believe there may be a misunderstanding about the co-ordinating committee in the Sault-Wawa zone. The tourism development advisory committee for Algoma was formed

spontaneously under the chairmanship of Mr. Dave Liddle in June 1977.

Mr. Laughren: Liddle; I've heard the name.

Mr. Chairman: I'm sure you have.

Hon. Mr. Grossman: He speaks highly of you, Floyd.

Mr. Hall: Did you say David Liddle of Wawa?

Hon. Mr. Grossman: Of June 1977.

Mr. Hall: Is that the one who lives in Wawa?

Hon. Mr. Grossman: At the same time of the publication of this Sault Ste. Marie-Wawa zone study.

Mr. Hall: He was a candidate in the last election, wasn't he?

Hon. Mr. Grossman: I'm not up on my politics.

Mr. Hall: Yes, he was.

Hon. Mr. Grossman: Mr. Liddle has commented to us objectively that he is pleased with the results which the committee has been able to obtain.

Mr. Hall: Mr. Minister, in fairness I also have to confess, he's my nephew.

Hon. Mr. Grossman: Your nephew?

Mr. Hall: Yes, fine fellow.

Hon. Mr. Grossman: Fine fellow, right. I knew you'd see it my way.

Mr. Hall: We're infiltrating your ministry far more than you realize.

Mr. Chairman: I thought he was the NDP candidate, was he not?

Mr. Laughren: He was the Tory candidate.

Hon. Mr. Grossman: You should take advice from your nephew.

Mr. Hall: My wife's side of the family, twice removed.

Mr. Chairman: Very clever wife.

Hon. Mr. Grossman: I always did like your wife.

Mr. Watson: Who is infiltrating who?

Mr. Hall: I'm here and he's still there.

Hon. Mr. Grossman: What's wrong with there, Ross? I think there is a very nice place to be. We'll tell them that up in Wawa.

Mr. Kerrio: Meantime—

Hon. Mr. Grossman: Meantime, Mr. Ramsay will be interested to know the committee has contributed to the establishment of new tourism information centres around the city of Sault Ste. Marie and has an important influence on Parks Canada in its takeover and preservation of the Canadian Sault locks.

[8:30]

Mr. Kerrio: I have a sneaking suspicion the people are getting to like that.

Hon. Mr. Grossman: Listen, Wildman raised these questions the other night; I am obliged to answer them.

The committee is now pressing that the Sault Ste. Marie airport be upgraded to international status. All these steps will contribute to tourism development in the area and are consistent with the recommendations of the Balmer, Crapo report.

The honourable member also asked if the ministry was consulted on the advisability of something called the Cantrakon development. I should confirm that the ministry was consulted by the developer of the project with respect to this proposal in the spring of 1976 when the Honourable Claude Bennett was the Minister of Industry and Tourism. The ministry has been continually supportive since that time and members of my ministry have visited a similar complex developed by the same principals at Mont Ste.-Marie in Quebec. Our support for this proposal was conveyed to the Minister of Housing at the appropriate time.

The question of Minaki Lodge has also been raised and I wish to confirm that my ministry has indeed engaged in negotiations with a number of major Canadian companies with a view to securing an acceptable proposal for its operation.

Mr. Laughren: At the foot of Maple Mountain.

Mr. Eakins: It seems we hear this each year.

Hon. Mr. Grossman: At present we are actively discussing an agreement—you didn't hear that last year—

Mr. Kerrio: You were mothballing it.

Mr. Hall: Last year you were actually preparing to discuss an agreement.

Hon. Mr. Grossman: —with an important private sector hotel operator whose name must remain confidential until negotiations have been concluded.

Mr. Kerrio: Natch.

Hon. Mr. Grossman: Well, of course, It would affect the negotiations.

Once an agreement has been signed we will proceed immediately with planning for completion.

Mr. Hall: Do you want to put a time stamp on it?

Hon. Mr. Grossman: I'll be back here next year to report on that.

Last time I said I'd be back here next year was the last day I was in Consumer and

Commercial Relations. The next day I was moved.

Mr. Laughren: I was hoping you'd be Treasurer.

Hon. Mr. Grossman: No, I could never aspire to that.

Returning now to the concerns expressed by the member for Victoria-Haliburton about Ontario's information centres, we have conducted a study of all travel information centres to obtain recommendations on renovating and building new centres. This was done in order to establish consistency of architecture, signage, and site control for a comprehensive, corporate image of Ontario which we currently do not have. The recommendations from that report, as I indicated earlier are now being studied and I hope to make an announcement about the results of that as soon as possible.

A test of money exchange services was made at Hill Island Travel Centre this summer. As a result of the success of this service we are inviting the private sector to bid on providing service at all sectors in 1979.

The honourable member's concern about the lack of washroom facilities that exist alongside the produce stands on the Queen Elizabeth Way is well taken. The problem was successfully overcome in 1978 with the addition of a temporary unit at one and the establishment of a travel association travel centre with washrooms at the other. We are aware of the problem and are continuing to look at it.

Regarding ministry information booths at conventions—

Mr. Kerrio: We're not going to serve any grapes—

Hon. Mr. Grossman: —we have found they do not generate new business as the customer has in most cases already made his plans and requires more local information usually provided by the city. Our program of pre-convention counselling can have impact on travel decisions and is one we wish to increase. Again that's an area I want to discuss further.

I should also point out that a lack of manpower due to the restraint program has resulted in a loss of reception facilities for our third-floor tourism division, as the member has pointed out. On the other hand the travel centre on the main floor of our building for the public has shown an increased load of from 7,000 people in 1976 to 24,000 in 1978, thus greatly reducing the number of people requiring service on the third floor.

Mr. Watson: What building are they talking about?

Hon. Mr. Grossman: The Hearst block.

Regarding the suggestion of the member for Victoria-Haliburton that \$3 million in additional funds be allocated to local travel associations, I would like to note that for this upcoming fiscal year this program represents a budget expenditure of \$1,020,000. Although the budget has remained stable for the last three years, we have refined the method of funding each of the 12 regional travel associations to permit as much municipal and private sector fund-raising as possible.

I am disappointed as I've studied the results of the private sector fund-raising accomplished to date by the travel associations. In too many cases it appears the associations are raising moneys that meet our minimum cost-sharing requirements. As well, I am not happy with the rate of participation by the industry in the travel associations and I understand that recruiting members is still an arduous task.

Therefore, with those circumstances in mind, the OTAP budget for 1979-80 will remain at its present level. However, I want to make clear that I endorse the concept of the travel association program and that my staff will be working with the management of these associations to secure greater private sector involvement. If that doesn't go as well as we hope, then we will have to have a look at some other alternatives.

I should point out that it is current ministry policy and has been for some time not to participate in sport travel shows as the expenses and staff requirements do not at the moment appear warranted. The ministry's experience with participation in major US shows in the past indicated that the customer was shopping for a very specific product such as a fishing or hunting package. Very few were seeking general Ontario information. Ontario operators can, it seems, therefore sell their specific product but the province cannot.

In any case, I should indicate my willingness to attend at one of those sport travel shows in the United States, perhaps with some members of the opposition parties, in order to have a first-hand look at that situation. If you can designate one member of each party who might like to join us we can pick a snowy day in Cleveland and go in February.

Mr. J. Reed: Do we go at our own expense or on the public trough?

Hon. Mr. Grossman: With regard to literature, at present the ministry provides quantities of Ontario literature, including road maps, to the travel associations attending shows. The member for Algoma has raised

the very good and serious question with regard to French brochures and I want to admit that the ministry simply has not done enough in this area. One of the things we have already got in the works the last couple of weeks is an attempt to increase the amount of French-language advertising and brochures that the ministry has. We do recognize the importance and size of the Quebec market, for one thing, which has good potential for tourism and we are in the process of developing a plan and a marketing approach which includes French-language publications.

I have noted the concern of the member for Victoria-Haliburton about the continuing effects of the American Bill 602 and share his concern. We have learned that a committee has recently been formed to create unified opinion and recommendations on this subject. The committee, under the chairmanship of Mr. William Duron, executive president of the Toronto Convention and Tourist Bureau, will be named the Committee on Convention Tax Legislation. It is composed of senior members of the hotel and convention industry in Canada. Various courses of action to be recommended to the federal government are being considered and will be passed to the federal government through the Travel Industry Association of Canada. Our involvement with this association ensures our active participation in any recommendations which will be made.

I am pleased to report, with regard to the remarks of the member for Algoma, that solid results have come from the ministry's work on package tour development in all our active markets in co-operation with the industry in Ontario. From all sources we now have 567 tour operators involved in selling 1,185 different tour packages that produce revenue for our province. As a small example, while sales in Germany and Japan were virtually zero five to six years ago, we now have 15 important tour operators in Germany selling 164 package tours to Ontario and from Japan we have 34 tour operators with 118 package tours. By concentrating on sales of these programs and taking into account the currency situation, we expect a 40 per cent increase in revenue from offshore markets.

The member for Victoria-Haliburton raised the question of the Ministry of Natural Resources granting some timber companies access roads to lakes where resort operators had been operating fly-in services. We understand, after discussing this with them, that this is, in fact, the case in only a very limited number of situations. Discussions are now initiated by the ministry in each case with officials of my ministry and with representa-

tives of the tourism industry to make sure that the end goals do not conflict.

Just before I conclude, I have to return to some questions raised by the member for Algoma. These were regarding the Northern Ontario Development Corporation loans intended to prepare the way of industrial growth in the Sault Ste. Marie area.

Mr. Eakins: Briefly?

Hon. Mr. Grossman: He raised the question. A \$277,500 loan has been made available to the city to assist in establishing a 28.5-acre industrial park.

Mr. J. Reed: That was announced today.

Hon. Mr. Grossman: Fifteen interest-free loans, totalling \$2.5 million, and 10 industrial mortgage loans, for a total of almost \$2 million, have been made available for industries expanding or locating in the area. Two loans totalling \$122,650 have been made available to finance exports. This assistance and encouragement is available to any secondary manufacturing or service industry closely associated with manufacturing, such as those supporting the production of the area steel mills.

In the constituency of Algoma, some nine interest-free industrial loans, totalling \$1,038,000, have been provided, together with 15 tourist industry loans, totalling \$1.7 million.

In response to the question concerning the minimal numbers of loans made in some constituencies: it is certainly not through lack of servicing on the part of the corporation, we feel. Technical consultative staff in Timmins and Sudbury offices conduct regular, advertised, monthly visits to the communities in the areas mentioned by the member the other day. They have conducted 60 area interviews over the last nine months.

I have some further remarks on the question of the GATT negotiations. I thought it might be more appropriate to wait until the appropriate vote on these estimates. Also it is my hope that before the assembly rises, hopefully, on Thursday, I might perhaps have a lengthy statement to make to the assembly on the entire subject of the GATT negotiations, although I would be pleased to discuss them further this evening or tomorrow.

Mr. Kerrio: I hope you'll accept the kind of question I'm going to pose to you now. I pose this question to you with a great deal of respect and I hope that you'll accept it in that very fashion.

Hon. Mr. Grossman: I always worry when people start like that.

Mr. Kerrio: And you may very well do that. But it's an important question. I have to

think that in Ontario today just about the two most significant things that we might address ourselves to are the tourist industry and the industrial industry. The question I'd like to raise, and have your comments on, is related to the two in this sense: Don't you think that the time has come when these two ministries should be separated; that you could have taken either one and given every moment of your time to that particular ministry as it relates—

Mr. Laughren: It's part of the Liberal restraint package.

Mr. Kerrio: You wouldn't understand business. You could leave for a couple of hours and no one would know you were gone.

Mr. Laughren: That's Liberal restraint talking?

Mr. Chairman: Your turn to have the floor will come next, Mr. Laughren, so just restrain yourself.

Mr. Kerrio: Right. I hardly know what you're doing at this committee.

Mr. Eakins: He should read the report.
[8:45]

Mr. Kerrio: I say this with the greatest respect, Mr. Minister. I think the time has come in Ontario to split these ministries, not add more ministries to the government—I wouldn't propose that to you, but, more significantly, an alignment of ministries more related to each other. But you, sir, as a minister might accept either one as a responsibility as it relates to industry or tourism, and another minister would give full time to the other ministry. In this day and age the time has come when this particular area should have two very high-profile ministers. And you, sir, should accept whichever one you might choose.

Mr. Laughren: One salary.

Mr. Kerrio: Floyd, no matter what your policies are, you wouldn't understand the relationship as it relates to business—

Mr. Laughren: Carry on, Vince. Don't be provocative.

Mr. Kerrio: —because the bureaucratic setup that you would put in here would have nothing to do with good common sense. We all understand that. I can't even understand why you're here. But that's an aside.

Mr. Minister, when I suggest that to you, I mean it in the best sense that I can put it to you. If there was ever a time in Ontario when there was a need for a minister who could completely dedicate himself—and, coming from Niagara, I'm very much involved in both the business and tourism aspects. Many

people might not understand that we're very broadly based there; in addition to the tourist industry, we do have quite a broadly based industrial set up. Just recently, we had one of the very good members of your party in the person of Gordon Smith come down to Niagara Falls for the opening of the Kuemmerling distillery by a group from Germany. Very good people from the ministry in Ontario and our industrial commissioner, Joe Montgomery, whom everyone here in the ministry recognizes, went to Germany and convinced those people that the Niagara Peninsula, and particularly the part I represent, is a great part of Ontario and a great part of Canada. I'm proud to say that this is not the first industry that has opened its doors in Niagara. It's the result of much work that many industries have located there.

I say again to you, we have to reflect our interests as they are very well represented here tonight in the persons of the member for Victoria-Haliburton and the member for Lincoln, both of whom we have now decided should split the responsibility in our caucus as they relate to those two very significant and important issues. I wonder if you wouldn't comment on that.

I will make a few other minor additions to my comments, but that's the major question that I want to raise: whether the Premier and the cabinet and you yourself would not see fit, in the very near future, if it hasn't happened now, to have two high-profile ministers, one in each ministry, because you must have to spread yourself pretty thin to represent these two very significant and important ministries as they relate to the future of Ontario. I can't think of two industries that really have the need of a full-time minister as much as these two particular ministries do.

I pose that question. I know you'll understand why I prefaced my remarks in the way I did. I don't know whether they were considered by your cabinet, by the Premier (Mr. Davis) or whomever, but I do feel very sincerely that the time is here for such a realignment. I'd like to see you, sir, able to devote full time to tourism or industry and another minister doing the same for the alternative one. Then we could couple other ministries, I would suggest, that might relate more to the ministry. Let's say, for the sake of speculation, that Tourism could have Culture and Recreation connected with it as it relates to those places where we have visitors coming to Ontario. But if there ever was a time when there was a need for a top minister to represent industry, it is now.

Hon. Mr. Grossman: So you want me in Tourism?

Mr. Kerrio: No, I would leave the option to you and the Premier to decide. As it relates to industry then, I'm concerned, as my leader is—

Mr. Laughren: There should be a lottery ticket for every tourist.

Mr. Kerrio: —that we are not addressing ourselves to some of the very important technology that exists in Ontario, the exploiting of it as it relates to selling it overseas. One that comes to mind is nuclear reactors. We're not selling them, and we're not doing the job that should be done there. Part of it has to be that you may not have the time and part of it has to do with the federal involvement that is lacking a great deal in salesmanship.

Mr. Laughren: Right on there.

Mr. Kerrio: Now I'll hurt you.

Mr. Laughren: Thank God, you are an Ontario Liberal.

Mr. Kerrio: We have to bring the private sector into play with the ministry, with the best the two have to offer, with the ability of the private sector to be competitive as opposed to a big bureaucracy and a socialistic involvement of the kind of people that we have across here.

Mr. Mackenzie: We don't need as much as Ford.

Mr. Kerrio: We have to connect in that ministry of industry the best the private sector has to offer and the best the government has to offer, the expertise that's been developed in this very province that we are in. We will not sell Candu reactors if we can't put together a package to sell the whole reactor, consisting of the technology, the ability to build it and the private sector's ability to be competitive. Without that, we shall not improve our industrial involvement as it relates to world-wide competition.

I don't want to dwell too much longer on that aspect of my concerns as they relate to an involvement of your government to place more emphasis individually on these two sectors by separating them and making a real commitment to put two ministers, one in each division, who can give full time to each. I say this because I don't want to see more ministers. Really we have enough of you cats there now.

Hon. Mr. Grossman: We need seven more.

Mr. Kerrio: I don't suggest that we have more ministers. I suggest that we take these two most important and significant ministries as they relate to Ontario, and give them high-

profile ministers who will give full time to the ministry and will divide the other aspects up where ever they may fit more appropriately.

Mr. Laughren: Is this Liberal policy?

Mr. Kerrio: It's my policy. I have to tell you that you just happen to be looking across the table at a guy that's put a hell of a lot more into this society than you have.

Mr. Laughren: Oh, I see.

Mr. Kerrio: I have to tell you that because you make a lot of noise and that kind of noise is pretty cheap.

Mr. Laughren: As long as we have established that it's not a Liberal policy, that's fine.

Mr. Kerrio: The guys who make this country go are not sitting in your party buster. They're sitting in this private enterprise party and the other one that's got the blue colours.

Mr. Mackenzie: You are touchy tonight, aren't you?

Mr. Kerrio: Let's not make any mistake about that.

Hon. Mr. Grossman: Be careful. One of his guys is Governor General now.

Mr. Eakins: That's different.

Mr. Kerrio: I don't take a great deal of pride in that. It would not have been my choice. If the socialists are going to make it, I tell you they'll make it on their own. I wouldn't help them. That's an aside, but I thought I should say it anyway.

I think that maybe it's very significant to the future of Ontario and you might address yourself to that question.

Mr. Laughren: Is that now Liberal policy?

Hon. Mr. Grossman: I wanted to address this subject, in fact, I think it is Liberal Party policy that the ministry should be split. Your leader raised it one day in the House.

Mr. Eakins: That was a recommendation in the task force report.

Hon. Mr. Grossman: I see. I remember. I was confused. Your leader was talking in the House one day about combining ministries and I was heckling him a little bit about this.

In any case, some points can be made in favour of separating the ministries. I must say the true test of a ministry, whether it's one for each side or one serving both industry and tourism, is in performance. I'll be happy to come back a year from today and have our performance on both sides assessed and tested.

May I say tourism, as has been said so many times, is of course the second largest industry in this province. I think, though, it is important to remember it is an industry, and some of the things that are applicable to industry at large are applicable as well to the tourism industry. A lot of the things I deal with on a day-to-day basis on the industrial side of my ministry are very relevant to the tourism side of the ministry. All the things regarding the economy, the international relations, the dollar and so on, and very many things applicable on the tourism side of the ministry which, in fact, I learn and I'm into because of the industry side of my ministry.

Likewise, we have a very excellent staff on the industry side of my ministry, which, quite frankly, two ministries could not afford to have independently. We have a lot of first class economists, policy advisers and so on. I have to tell you I feel we have some of the best people around in that regard. Those people are very capable of the task of performing and giving advice and analysis on both the industry side of the ministry and the tourism side of the industry. I would hate to see two ministries created and hiring that sort of talent and staff and really, on one hand, duplicating some efforts on some matters, and on the other hand, in some cases, underutilizing the abilities and strengths of some of those people.

Again, there are certain times when the two fit in very nicely, which is most of the time. For example, let's take one specific example, the Taft Theme Park in Maple. This is an example of where, clearly, you had a great involvement of, shall we call it, the industry side of the ministry feeding very directly into assisting the tourism operators and the tourism side of the ministry. In fact, this is the first time I've ever found myself using the word "sides" of the ministry because I really don't treat them as different sides. I do treat tourism as one of the industrial sectors, a very special one. That's why, unlike the federal government, which does have the tourism side inside another ministry, we at least in this province have designated a ministry as Industry and Tourism, not just thrown it into Industry, Trade and Commerce as the feds have.

But again, the Taft Theme Park is a good example where the people who are on the industrial side of my ministry are of great assistance in terms of putting together all the necessary pieces to provide a major tourist attraction. I think there is a lot to be said for the common services, just on a purely administrative side. Performing the two functions, if you want to call them two different

functions in one ministry, brings you everything from personnel and accounting right through to things such as our various offices throughout the province. There is an excellent consolidation of services, facilities and resources which I don't think needs to be lost just for the sake of being able to say I have one special person designated to the tourism side.

In dealing with that, I also want to say Gordon Smith who has been referred to earlier has been given some special responsibilities by me. Previously, he was dealing mainly in the area of small business. I have asked him to assist me on the tourism side of the ministry in order that the tourist associations and travel associations throughout the province may have better and easier access to us. Gordon will be spending a lot of time meeting with those associations in order that they need not feel at all removed from the ministry. Gordon is a very capable person. He is performing excellent work for me in this regard and tourist operators throughout the province will be seeing a lot more of Gordon in the next few months.

[9:00]

I wanted to address one other point on the question of how the two functions of the ministry—if you want to call them two—mesh into each other. I would be very unhappy, Mr. Kerrio, if the ODC operations were carried on in one ministry and the tourism operations in another ministry. Believe me, I am able through the advice and assistance our people can give the ODC people, to ensure the tourism industry does very well in terms of the grants, loans and other sorts of assistance they can get from ODC, NODC and EODC. It may be somewhat more difficult if they were in different ministries. I think that commonality is very important and serves the tourism industry well.

We have dealt with Joe Montgomery from your area and the experience of our ministry is that he is as fine a person as you have described him. We have had some success, as you pointed out, in dealing with him.

In conclusion may I say that ultimately I think this ministry works and works well in the industry side and the tourism side to which you are specifically referring. It is working, on the tourism side due in large measure to people like Fred Boyer who is head of that division. He is Mr. Tourism, if there ever was one, for this province, and is well known throughout the tourism industry. He would be well known if he were handling tourism as part of a ministry called "the

Ministry of Tourism" or if he were handling tourism just as a small part of a very large ministry. It is the people involved, I suggest; it is the efficiency of the people involved; it is everyone from the minister on down through the local guide dealing in an office in Thessalon, that makes it work.

I think it is quite fair for you to put us to the test. It's right that you should have us back here a year from today attempting to show the system we have is the better. In the year I have been around—I hope I am still around next year—I'd like to be able to show that it worked better—not, as you would argue, that it would be better as a separate ministry. I think the true test on balance is the bottom line—how we have performed. I think our record is pretty good so far. I think I have gone through most of the arguments on that count.

I think the auto industry, just to conclude, would be the next in line to argue very validly that, being the largest industry in Ontario, ahead of tourism—and I want to make it clear I am not arguing this—but they could argue that from the sheer size of the industry and its importance to the economy of this province, they too should have a separate ministry.

Again, I would say to them, as I say on the tourism side, the true test is how successful we are, no matter what you call the ministry, in looking after your needs and wants.

But I thank you for your comments.

Mr. Hall: Mr. Minister, could I just ask a supplementary question on this matter of division of your time? I don't mean to be impertinent, but do you have some added function, like an assistant House Leader, with the government? Is that another area where some of your time is being consumed?

Hon. Mr. Grossman: I wouldn't think in the ordinary week it takes extra time. It takes extra time in terms of the odd week when the House Leader is away. On those occasions I might, for example, be sure that I get back to the House at six o'clock or to make sure it starts again at eight o'clock or to close it off at 10:30. In general we do the usual House leader's troubleshooting in the event some trouble erupts in the absence of the government House leader.

Happily, that hasn't occurred this session. In the ordinary week it takes no extra time.

Mr. Kerrio: I just have to add one comment as it relates to my involvement in Niagara. We have seen fit to have an industrial commissioner in Niagara Falls and a man who is in charge of tourism. I think it is very success-

ful in both aspects. I think it has worked very well, considering the limited staff they have. While your arguments are well put, I don't concur with them because I think it time that those two industries, the two major industries in this province, should be represented. I appreciate your comments, too. I come from the business world and competition makes things go.

Hon. Mr. Grossman: I understand, May I say that I could argue, I hope eloquently, on behalf of a ministry for small business.

Mr. Kerrio: Right on. If we had one ministry looking after industry, that might happen.

Hon. Mr. Grossman: And, in fact, I treat my responsibilities as being minister of industry and minister of tourism and minister for small business—we take all those responsibilities very seriously.

Mr. Kerrio: If you spread yourself too thin, the elected members will not do the job. The bureaucrats will.

Hon. Mr. Grossman: Well, I want to tell you, Vince, I'm not one that apologizes for giving bureaucrats some major responsibility. I think I've pretty good ones. But I do ultimately want to tell you—and some of them are here tonight, they'll tell you more directly than I, perhaps—that I take a very direct interest in the day-to-day operation of the ministry and the policy decisions. Some of them think too much. I heard someone mumbling in the back. I didn't get his name.

Mr. Kerrio: There's just not enough time.

Hon. Mr. Grossman: Vince, I want to tell you: if I felt that there wasn't enough time—I want to be very direct about it—if I felt I wasn't able, and my staff wasn't able, to do justice to the small business side, the tourism side and the industry side, then I would be the first one to go to the Premier (Mr. Davis) and say "I can't do it."

Mr. Laughren: Mr. Chairman, I'm a little confused about what we should do tonight. I have one question first of all: What hours are we sitting tomorrow?

Mr. Chairman: We are sitting from 10 to 12:30 and from 2 to 4:30.

Mr. Laughren: The other question I have: I understand we are still on the—sorry.

Hon. Mr. Grossman: We have a question period at 2 o'clock.

Mr. Chairman: Do we now? I thought the order paper said 2 to 6.

Hon. Mr. Grossman: I had forgotten that we sit tomorrow afternoon.

Mr. Laughren: So it will be after the question period until 6?

Hon. Mr. Grossman: After the question period, yes.

Mr. Laughren: And not in the evening?

Hon. Mr. Grossman: Oh, come on.

Mr. Laughren: That's fine.

Hon. Mr. Grossman: I understood it was 10 to 12 or 12:30.

Mr. Laughren: I just wanted a bit of information.

Hon. Mr. Grossman: It was 12 when I last heard.

Mr. Laughren: Okay. The other question: I understand we are still on vote No. 1. I would accept direction from the chairman. I have a large number of things I wanted to raise. I'm quite flexible in terms of time and where I raise them, whether I raise them here, in the next vote, or in a subsequent vote. I don't know how strict the chairman is being on where to raise subjects. Is it wide open on the first vote?

Mr. Chairman: What particular vote? Tourism?

Mr. Laughren: No, I was thinking—some of the things I want to talk about fit in very nicely in the next vote and I am quite prepared to dispense with the first vote—

Mr. Chairman: You want policy and priorities, then? Is this what your concern is?

Mr. Laughren: 2202.

Mr. Chairman: 2202, all right. Any discussion on 2201 from 1 to 6? Do you have some comments on it, too?

Mr. Johnson: I have two—

Mr. Gaunt: A policy matter, Mr. Chairman. That would come under the first vote.

Mr. Laughren: Well, everything comes under policy. If you want to do it that way, I don't mind doing it all under the first vote.

Mr. Gaunt: Well, I'm just trying to determine how—

Mr. Chairman: Well, policy and priorities program is 2202.

Mr. Gaunt: You tell me and I'll do it.

Mr. Chairman: In order to be fair to all the members of the committee, I think we could stay within 2201 and let whatever members of the committee wish to make their presentations under 2201.

Mr. Laughren: I think I'll wait until 2202, assuming that it doesn't take all night to do 2201.

Mr. Chairman: Mr. Johnson, you had some comments to make?

Mr. Johnson: I have but I will defer to Mr. Eakins.

Mr. Chairman: Were your comments relating to 2201?

Hon. Mr. Grossman: The minister's salary.

Mr. Johnson: I think so.

Mr. Chairman: 2201? No, you're next and then Mr. Eakins.

Mr. Kerrio: You should be getting double salary.

Hon. Mr. Grossman: Hear, hear; carried.

Mr. Chairman: Gentlemen, please. Would you like to go ahead with 2201?

On vote 2201, ministry administration program:

Mr. Johnson: I have two questions I would like to put to the minister. One is with regard to a letter about Cantrakon that you mentioned in your opening remarks and I don't raise this to be controversial, or hopefully not. But I did receive a petition today with approximately 1,100 signatures from a group of ratepayers in Caledon and I'd like to read it into the record.

Mr. Laughren: Hear, hear; that's in order.

Mr. Johnson: "The undersigned residents of Caledon support the Cantrakon development proposed for"—

Mr. Laughren: Oh, just a minute, that's out of order.

Mr. Chairman: Carry on, you have the floor.

Mr. Laughren: I hope Hansard has all this.

Mr. Chairman: I hope Hansard got it all.

Mr. Johnson: "This development will upgrade the present use of the property from a weed-infested fire hazard to a landscaped, well-maintained area which will increase local property values. It is designed to blend into the environment and will provide pollution controls not possible with the operation of most industries.

I'll skip the next one as it's controversial.

Mr. J. Reed: Carry on, Jack.

Mr. Johnson: "We ask why some groups are so anxious to give this rare benefit to another area when it is needed here in Caledon." That's a controversial comment. "Let us prevent small, vocal, self-interested minority groups from depriving our area of much-needed tax revenue, local employment opportunities and opportunities for local suppliers to provide goods and services."

I read that into the record, Mr. Minister, because Caledon is in my riding. I firmly support the project and I hope the minister will consider that there are many local residents in the area who are vitally concerned that they lose this to Halton or maybe even

Vermont, New Hampshire or some other locality.

Mr. Kerrio: How long did it take you to get all of these signatures?

Mr. Gaunt: He's among the many other ordinary citizens in Caledon.

Mr. J. Reed: Is Conn Smythe the signatory on that?

Mr. Johnson: Is your name on the list, Julian? You can sign it after.

Mr. J. Reed: I'm not quite in that area.

Hon. Mr. Grossman: I might ask the member to send me a copy of that petition. I'd like to see it.

Mr. Johnson: Fine.

Mr. J. Reed: I'd like to see the signatures.

Hon. Mr. Grossman: Perhaps we'll write a letter to each of the signatories.

Mr. Kerrio: How long did it take you to write that up?

Mr. Chairman: Do you wish to comment on this? Your original presentation was out of order, you know. It didn't concern 2201. But your comments were welcome.

Mr. Johnson: I was replying to the minister's reference to Cantrakon. I'm sorry Mr. Chairman.

Hon. Mr. Grossman: That's quite all right by me.

Mr. Johnson: Is it in order to comment on the farm vacation program under this vote?

Mr. Chairman: The farm vacation program?

Mr. Johnson: Are we talking about tourism?

Mr. Chairman: No, we're talking about the ministry administration program which is 2201 and that's the operations of the ministry.

Mr. Johnson: And does tourism fall under this?

Mr. Chairman: No.

Hon. Mr. Grossman: 2204.

Mr. Johnson: Okay.

Mr. Chairman: Very well, Mr. Eakins.

Mr. Eakins: I want to make a couple of comments. First of all—

Hon. Mr. Grossman: John, could I introduce Bill Ritchie, the executive director of the administration division, who is with me, and Fred Boyer from tourism, whom you all know. We'll get to him later on.

Mr. Kerrio: We need Fred here.

Mr. Chairman: Mr. Eakins told us that Fred was the best-known person in Ontario, so he doesn't need to be introduced.

Hon. Mr. Grossman: Who said he was the best known?

Mr. Gaunt: Aside from the minister.

Hon. Mr. Grossman: That's right, that's right. We don't stand for none of that.

Mr. Chairman: Let's get on with the vote then, Mr. Eakins.

Mr. Eakins: I just want to make a couple of comments on your reply in the opening statement. I appreciate the new approach you are taking by possibly involving opposition members in some of the trade shows or tourism shows. If we're going to be aware of what some of the problems are, then the members must be aware of what is happening and I, for one, appreciate that you have taken this approach. It's a new approach and I think it's an excellent one.

Hon. Mr. Grossman: If the province has the funds to send you, we'll—

Mr. Eakins: I think it's excellent.

Hon. Mr. Grossman: You can look forward to it. We're going to Philadelphia when the Leafs are playing the Flyers.

[9:15]

Mr. Eakins: Right. Make it the right weekend. On the elimination of the sales tax on accommodation: Can you comment whether there has been a corresponding rise in the cost of accommodation? Have you monitored the situation to know whether with the removal of the accommodation tax there has been an increase in the cost of accommodation to offset that? In other words, are the people holidaying getting a fair advantage or are the rates still the same because the costs are going up? Have you monitored that at all?

Hon. Mr. Grossman: Yes, we've had a watch and got the occasional letter. Apparently, it has worked pretty well as far as we have monitored it. It appears there was not a massive reaction to raise rates. On the other hand, we do worry that as we hit the second year of it, there may be some attempt to react to it by raising rates. That is why I referred to it specifically. I wanted to take the opportunity of tonight's discussion to caution against that sort of response. So far it has been pretty good. There hasn't been that sort of thing.

Mr. Eakins: Your people will be monitoring this in some form, then?

Hon. Mr. Grossman: Yes. I don't want to mislead you in the sense that we are not going to have a big police force out there or anything, but we do try to do some spot checks and keep our eyes open. Our field officers tend to keep their eyes open.

Mr. Eakins: It kills the incentive if this happens.

Hon. Mr. Grossman: There is no question about it. We have already heard from some people that they do intend to be raising their rates. Our people discuss the matter with them. I hope they will be realistic and not lose the advantage we've given them.

Mr. Eakins: I just have one quick question under vote 2201. Can you give me a possible rundown on any cutbacks in personnel in regard to your various representatives across Ontario? In your Peterborough office, I believe there was a transfer to Kingston and this position was not filled. Is this symbolic across the province or are you leaving yourself short as far as representatives go?

Mr. Boyer: You are quite correct, Mr. Eakins. We have filled a vacancy in Kingston from the Peterborough office and we will be able even with constraints to replace the Peterborough vacancy on April 1.

Mr. Eakins: What about the rest of the province? Are there many positions not filled?

Mr. Boyer: There is a field vacancy in tourism in Sudbury that will not be filled until April 1. There is a vacancy in Thunder Bay, a transfer to Fort Frances, that will not be filled until April 1. That's all.

Mr. Chairman: Did you have some comments to make on 2201, Mr. Hall?

Mr. Hall: Yes, I did. I have just recently been more or less assigned to be involved in the industry portfolio.

Hon. Mr. Grossman: So have I.

Mr. Hall: I would appreciate it if you would give me a little bit of insight into the disciplines of your staff, what their training is and their specialties. I wonder whether you have a speechwriter, whether you have researchers, whether these men are trained in economics, whether they actually have come from big business or small business, whether they have been tourist people and so on. Could you flesh that out for me a little bit, please?

Hon. Mr. Grossman: First, I would like to clarify whether you are talking about my own personal staff.

Mr. Hall: I imagine they are all underneath that, are they not?

Hon. Mr. Grossman: Would it be ministry staff in terms of people who would be working in the various divisions? Policies and priorities obviously is a division where we could specifically give you some background on the people who are advising us on policy matters. When you refer to speechwriters, that makes me believe you are asking this with regard to the ministry office staff, that is, the

people who are on contract with the minister. Whom are you looking for?

Mr. Hall: Well, having explained that I'm new to this, I'm reaching to try to get an understanding of just how it is constructed. So, I'll leave it up to you.

Hon. Mr. Grossman: I'll ask Mr. Wilson to help you with the administrative setup. He should have—have you got your book?

Mr. Hall: I've seen your chart here, but that, in itself—

Hon. Mr. Grossman: Mr. Wilson will give you a general rundown on the types of experience that the people in the various areas would have.

Mr. Hall: I don't mean to be difficult at all. I notice you have so many people working in different sections and ministry administration—134 classified people.

Hon. Mr. Grossman: Yes.

Mr. Hall: Well, now some of them are in secretarial and accounting positions, I suppose, and all those other things. But the people who are involved in top-level decisions. I want to know what their disciplines are.

Hon. Mr. Grossman: You're looking then at management positions in the ministry?

Mr. Hall: Yes.

Hon. Mr. Grossman: What kind of backgrounds exist? If you'd like to start with me. My background is private industry. I also have worked with the federal government. I'm an economist by training.

Mr. Allan, who is the assistant deputy minister, is trained in economics. He was formerly executive director in Treasury, Economics and Intergovernmental Affairs, which is now Treasury and Economics. He has been a public servant for, I believe, 12 years. Prior to that, he was with the Ford Motor Company. He, too, has had private sector experience.

Mr. Garland, who is executive director of the industry and trade division, is an engineer by training, a Harvard MBA, and has worked with a number of firms. Most recently, before joining the ministry he was with ITL in Windsor. He also worked with Ford Motor Company and Canadian General Electric, among others.

Mr. Boyer, executive director of tourism, has been in the tourism industry, working with airlines. He was in the advertising business in the private sector, before joining government, and has been in the tourism and information area since joining government.

Mr. McDonald, who is executive director of the communications division, is a broad-

casting executive by background. He joined the government from the private sector and has been in the communications area since being here.

Mr. Ritchie was with the federal government. He was also in private business with Bata Shoe and has been with the public service for a number of years in administrative capacities.

Generally, we have personnel in the ministry who have had private sector business experience. It's considered to be a desirable prerequisite, particularly in the operating sides of the ministry. In the policy and research side of the ministry, on the other hand, there tends to be more people trained in economics, economists by profession, policy analysts by profession. On the tourism side, I would venture to say that the vast majority of the personnel—I'm talking about professional staff again—have had either marketing, advertising or direct tourist industry experience, prior to joining government.

I would say that fully three quarters or four fifths of our professional staff have come from the private sector in one capacity or another. Many came from small business. We have a large number of engineers in the industrial development side of the ministry. These are people with direct experience in business. I think it's one of the characteristics of our ministry that is appreciated by the business community. When our fellows do business with them, they can speak the same language and understand the problems because they have worked in those areas themselves.

Mr. Chairman: Any further comments, Mr. Hall?

Mr. Hall: That doesn't answer the whole question yet, Mr. Chairman.

Hon. Mr. Grossman: The former left wing who—Sorry, what additions?

Mr. Hall: Well, relative to the particular support staff that the minister has in terms of his busy schedule. Touching on things like research and writing for the many speeches that you have to give, how do you handle that?

Hon. Mr. Grossman: Well, it depends on the speech really. Some of them are written within the ministry. Some are written by my personal staff. Some are written to a large extent by the minister himself.

Mr. Kerrio: Yes, I read one that you wrote.

Hon. Mr. Grossman: The ones I write myself are the ones for the PC association. Some, of course, we hire speechwriters to do.

Mr. Hall: You don't have anyone particularly specifically assigned for that or for speech research?

Hon. Mr. Grossman: No. No, because very many times we are dealing in our ministry with very particular types of audiences. Anything from the tourism industry—let's say NOTO, the tourist outfitters—it could range anywhere from that to electrical manufacturers and we just wouldn't feel comfortable about having one person purport to be able to handle both those sectors. So what we tend to do is, with a combination of our ministry staff and my personal staff and outside speechwriters, develop a capability in one or the other of those areas to deal with the particular sector to which we might be speaking.

Mr. Hall: Do you use outside consultants on a fee basis for particular studies and analyses to a great extent?

Hon. Mr. Grossman: Studies? You're not talking about speeches now.

Mr. Hall: No, not speeches.

Hon. Mr. Grossman: Those would come under some of the votes, and there would be a fair number of outside consultants that we would hire—for example, very many in the tourism industry and some of them I have spoken about tonight, and I'd be pleased to review those as we get to the various votes.

Mr. Hall: In connection with your staff summary which shows on page four of your briefing material, it's been a few months since I've been in estimates looking at numbers like this. Help me out with this term "unclassified" would you, please.

Mr. Ritchie: The first eight unclassified ministry administration are in the minister's office and those are his own personal staff.

Mr. Hall: First of all, sir, the terminology "unclassified."

Mr. Ritchie: Those are ones who are not civil servants. In Ontario, they would be employed under a specific contract specifying their working conditions.

Mr. Hall: They may have a long tenure here, but they're not classified as civil servants. They could also be called contract employees, could they?

Mr. Ritchie: They would be contract employees and if the minister left, presumably they would leave with him. They do not have the tenure of the civil service.

Mr. Hall: They're the ones you don't count when you talk about your staff reductions, generally.

Mr. Ritchie: Everyone who is paid; when we count total staff, we count people on payroll. The ones in the minister's office would be counted on payroll as a total.

Mr. Hall: Why are they kept in that category, not civil servants?

Mr. Ritchie: Generally, a minister employs his own staff who work in his office and they are people who, if you like, fit his particular requirements.

Mr. Hall: For example, I notice that you have 62 unclassified in industry and trade.

Mr. Ritchie: Those are people who are employed in international countries—Germany, England, United States, Japan—and they are employed locally and are under the conditions of employment of that country. People who would be employed in industry in Ontario come under the Ontario labour laws. Our people who are employed in Germany come under the German laws, in the United States, the various state and country laws.

Mr. Hall: The numbers shown here are all full-time employees though.

Mr. Ritchie: Other than the students in the right-hand column.

Mr. Hall: So really, they don't stay unclassified for very long except if they're foreign based and you have to move them into a situation of permanency?

Mr. Ritchie: That's right.

Mr. Hall: That answers my question.

[9:30]

Mr. Kerrio: Just as an aside to that, I have to read this into the record. It relates to the speechwriting. In a speech to the Oakville Chamber of Commerce, the minister said: "Of course, for businessmen there's the odd problem in Ontario. Workers, for instance, are not hungry for jobs at any price, don't accept stultifying repetitive work and don't roll over and play dead if the supervisor throws his weight around."

Hon. Mr. Grossman: Mr. Mackenzie agrees with that sentiment.

Mr. Kerrio: If that's the odd problem the businessman has, Mr. Minister, you're too busy; you really don't know what poor businessmen put up with—unless somebody else wrote the speech, and then I'll accept it.

Hon. Mr. Grossman: You should read the balance of the speech; you could learn even more, Vince.

Vote 2201 agreed to.

On vote 2202, policy and priorities program:

Mr. Chairman: Mr. Gaunt, you have indicated your desire to make a contribution on this vote.

Mr. Gaunt: Thank you, Mr. Chairman. I'll be very brief; I'm not going to run out the clock tonight.

In any event, this is essentially a federal problem, and what I'm trying to solicit from the minister is his moral support with respect to the problem. It involves a company in my home town, Lloyd-Truax Limited, which manufactures doors. I've spoken to the minister personally, and I've sent him a copy of the letter I wrote to Mr. Horner concerning the problem.

Essentially this company is experiencing great difficulty in getting supplies of western red cedar for the one-and-three-quarter-inch stile and rail doors which it manufactures. The large mills, mainly MacMillan Bloedel, I believe, which produce this kind of lumber are getting more involved in the export market, in so doing they've gone to what they call a 7/4 sawing program as opposed to the 8/4 sawing program, which it previously employed and which the company in Wingham requires in order to make the one-and-three-quarter-inch door, which incidentally is required by the Canadian Standards Association.

In a nutshell, the problem is that the company is not going to be able to get the supplies of lumber which it requires to carry on. If it doesn't get them, then it's going to go out of business and 200 people are going to be thrown out of work, because it's a fairly major company in Wingham and it supplies not only a very good percentage of the Canadian market, but it also involves itself in the export market.

Here we have a large company, a multi-national conglomerate, I guess, catering to the export trade while at the same time they are putting the home market in some peril. They are prepared to sacrifice the Canadian interest for their export trade, which I presume would enhance their profit picture. But, in my view, that isn't the point. I think we should be trying to protect our industry here in Ontario.

While I realize the company is resident in British Columbia, I'm wondering if the minister and/or the ministry can bring some moral suasion to bear on the federal government and on the company to try to convince this company to supply the 8/4 lumber which it has been making available to Lloyd-Truax and to Saunders, the other large wooden door company in Canada.

Hon. Mr. Grossman: I hate to say this in the presence of the members of the New

Democratic Party, but this is one of the things that comes with a free enterprise system. We have investigated a little bit. The international market for western red cedar is a very hot one right now. The prices are good. What is happening is the companies involved are responding to international prices and selling their product into markets where they can maximize the return for their own companies.

It is one of those situations where there are two things we can do.

Mr. Laughren: Cash grants.

Hon. Mr. Grossman: First, we can work with Truax, which as you know the ministry has, and we have been in touch with them. We are working with them to see if we can help locate another source, someone who is still willing to supply them. Secondly, it is a matter really of moral suasion. It is one of those instances where that is what governments can do. I can't report to you on the extent to which the federal government has been trying to exercise some moral suasion on any company that will supply the red cedar. Certainly we are very supportive of that and we are following up on that. I'll check that through for you again before the House rises. Maybe we can at least report to you on where the federal government is on that matter before the House rises.

Mr. Mackenzie: Do you at any stage in a situation just exactly like this look a little farther down the road in terms of the costs that are involved? I recognize that they are selling now because it is a hot commodity, but do you try to project the costs that are involved in terms of the 200-odd workers that may be out of a job or, harder to measure, I understand, the loss in dollars if we have to import those products from outside of the country once again? Do we really ever attempt—we may know it happens—to project the costs, one, two, or three years down the road?

Hon. Mr. Grossman: Without having a mathematical projection in front of me, I can tell you that where one firm is responding to market and maximizing its profit and creating unemployment as a result in Canada—

Mr. Mackenzie: There is a further dollar drain too.

Hon. Mr. Grossman: Yes, I am not even looking at it in terms of the dollar drain. I am just looking at it in terms of someone being unemployed. That is unacceptable. That is a large enough cost for me to want to react to the situation.

With that in mind, I think it points out that one of the things that we really very badly need in a free enterprise economy is still some sort of national industrial strategy. If there were some—and I don't have any great pipe dreams about their ever being a grand national industrial strategy in this country—

Mr. Kerrio: The next best thing is a provincial strategy.

Hon. Mr. Grossman: I have spoken often about having something called at least a national strategy, broken down in a regional fashion. You've got a western province involved. The history of western provinces vis-à-vis the eastern provinces and central provinces has not always been good, and we pointed this up last week. If there was some sort of co-ordinated national strategy, whereby the federal government was able under the umbrella of that national strategy to go to the British Columbia companies and point out the cost in dollar terms, to switch to the dollar argument, to the national economy of this particular decision, that would be a framework within which perhaps we would have more success than we currently have.

Right now, to use the word that we hear every day in the assembly, it is on an ad hoc basis, an individual response where someone picks up the phone and tries to exercise, as we say, moral suasion on the company.

Mr. Mackenzie: The ad hoc basis is one of our problems because we are also dealing in many of these cases, as you know, with a branch plant economy. The only point I am making is that I don't really see the conflict with the principle of private enterprise or private industry where your own national interest is very much at stake at the government using the big stick if necessary. Moral suasion is just not simply good enough. It's not working anywhere we do it or at least very rarely. At some point, there's going to have to be a bottom line where we say you can't screw our guys that way.

Hon. Mr. Grossman: First, let's point out that some of the companies we are talking about are not branch plants but Canadian companies.

Mr. Mackenzie: No, but it's a major component of the problem we have.

Hon. Mr. Grossman: They are Canadian companies and whether we had our traditional branch plant problem or not, we'd have this particular problem today. I guess where you and I might differ—just might—is in terms of what is the big stick. That is what it comes down to. The big stick in terms of governments of at least my politi-

cal leaning would not at the bottom line say we're going to take away their company, buy it up, nationalize it and so on.

Mr. Mackenzie: You don't have to, that's the whole point.

Hon. Mr. Grossman: I might be interested. Where or what is the big stick we might use?

Mr. Mackenzie: I don't know what other firms we have in this particular field but I can't think of a better example than the big stick with some very strong words. The strongest I have ever heard, came from our deputy Premier in terms of the Columbus McKinnon plant in St. Catharines.

Hon. Mr. Grossman: What are the words?

Mr. Mackenzie: You have at least two other plants producing the same thing in Canada, chain, block and tackle. It seems to me that you could say, "Look, you are not going to put a 102-year-old plant and 220 workers out of business, especially when the ministry itself, or at least the Labour minister, tells me it is still a financially viable operation, by shipping all of that work over to the new plant at Tonawanda."

Maybe we do a little promoting of orders for the two plants still in business. Maybe we could give them some assistance if there are some changes needed in the machinery they set up. I have a suspicion that if you use that kind of a threat, that directly, you might have got some action on the other plant. All I'm saying is the action was just unacceptable but the words were all we got on it. I'm wondering how often that happens.

Hon. Mr. Grossman: I can't address that particular incident in terms of the one Mr. Gaunt has raised. Again, I think it is a good example and perhaps you might help me by indicating—

Mr. Mackenzie: It's a matter of principle.

Hon. Mr. Grossman: —what a big stick might be since all the firms who are potential suppliers are responding in the same way. They are dealing internationally and causing the shortage here. What is the big stick?

Mr. Mackenzie: That's exactly why I asked if we had done the projections because it may very well be we have to lose a little bit of that export revenue and we may have to put some control on it. You don't have to take over the firm to do that, to say "Hey look, this is a local industry. It's viable. It's employing 200 and some people. You are going to supply them. That's one of the conditions you have of operating." That doesn't take over the company.

Hon. Mr. Grossman: I don't have to invite you to correct me if I'm wrong because you

will. I guess what you are saying is we should have some control on the amount they can export.

Mr. Mackenzie: I think on occasion you have to use that. We are balancing that against the jobs and the potential drain.

Hon. Mr. Grossman: Yes, and I guess one of the things you get into on the balance in turn is whether that will become—I suspect it would—a disincentive for firms to locate in B.C. and wherever. I mean, they will say, "Listen, we don't face that sort of control on what markets we can deal in if we locate in Seattle, Washington or Oregon."

Mr. Mackenzie: Then we may have to get into a more fundamental discussion because it is a question of whether or not we are going to have any control over the use of our own resources.

Hon. Mr. Grossman: I would enjoy that fundamental discussion. Maybe we'll have it before we finish.

Mr. Gaunt: I agree that it may come down to limiting the export market to some extent. Obviously, this company has made a decision along with other companies in the business to export all they can because it is a hot item. They make big bucks by exporting the red cedar abroad. Meanwhile, our own industry in the province starves for the material. I think it's a case of putting our own national interest ahead of every other interest. We do it with oil.

Hon. Mr. Grossman: Really?

Mr. Gaunt: We are not going to the world price even though some politicians state that is the long term objective. Between you and me, I suspect we will never get there. But that aside, the fact of the matter is with our oil we are not moving to the world price because it is felt, and rightly so, that our own interest here dictates we not move to world price. In other words, our economy, the jobs here are paramount and that's as it should be.

I am really saying the same thing with respect to this, that surely our own national interest, our own provincial interest is paramount and should come first before any export market be filled and be maintained. I hope the ministry, along with the federal government, can see what can be done in this particular circumstance, because it is important to the province, it is important to my area, and it is important to the town in which I live. I don't want to see those people thrown out of work.

[9:45]

Hon. Mr. Grossman: Let me just respond to that if I might, Julian. I'm shocked that that

could happen. I was shocked when you handed me the information, and when we did some further investigation, that that sort of thing can happen. One of the real frustrations is that the problem here is not so much the world price as the fact that the building code as adopted in Ontario requires a different size than the size they are cutting for the international markets.

Mr. Gaunt: That's right. It's a Canadian standards problem.

Hon. Mr. Grossman: That's right, and that's something we will be addressing in terms of the federal government and indeed the provincial government.

Mr. Kerrio: You should talk to the feds, you are closer to them than we are.

Hon. Mr. Grossman: You wish that were the case, Vince.

Mr. Kerrio: It is the case.

Hon. Mr. Grossman: I tell you, after this summer, we will be closer to the feds than you are.

Mr. Kerrio: Oh, God, what a disaster area that will be.

Hon. Mr. Grossman: Could it be worse, folks?

Mr. Gaunt: I hope we get this problem resolved before that.

Hon. Mr. Grossman: Dealing with it quite seriously, and it's a point to be made right here, when we talk about regulation and government regulation and over-regulation, I mean this is a perfect example of a laudable goal, which is a national building code, something that you've hardly got anyone objecting to throughout this country, in any Legislature, in any party. We all supported it as an important objective, a national building code.

Then what happens is you take away some flexibility that would permit Truax to stay in the game. Our national building code is apparently out of kilter, out of step with the larger markets in the rest of the world and it's something that I suppose few people addressed at the time because it wasn't a practical problem. Everyone sat down in offices in Ottawa and here, and went to work on a very nice set of building code standards, and then when you apply it in the real world, the net effect of that building code is that it puts Truax out of business as a result of the standardization which we forced here.

I'm not suggesting that we abandon building codes by any means, but I think that does address something that I spoke of last week in terms of the need for some better advocacy

by this ministry in terms of those particular problems. I think it's something that we as legislators should all keep in mind when we get into things like building codes and other things. Of course, in the years to come we are going to be looking at expanded building codes in terms of energy, building energy things into the building code and so on, and we should try to keep these things in mind, things that you and I couldn't have foreseen.

Truax didn't foresee it at the time, I'm sure. It's just something we should try to keep in mind as we write all this new legislation. In any case, the building code route is one that we are going to pursue. Knowing what it takes to change legislation nationally, it is obviously a hell of a lot more difficult than changing it here. We do have a building code which coincides with the national code, but it's one of the things we'll chase down and I hope perhaps that may be a route that will bear fruit.

Mr. Gaunt: Do what you can, and meanwhile, I'll chase the federal government as well.

Mr. J. Reed: With the permission of the chair, I'd just like to ask a supplementary connected with this same kind of thing. It relates to a question I asked the minister last week in the House regarding a steel manufacturer here in Ontario and the fact that some complaints from companies were coming in to me that they were now in a position that they were laying men off because they had put the purchasers of steel in Ontario, fabricating steel of one sort or another, on a thing that they don't call allocation any more—restricting supply or something is the term that's used, because allocation is not a good word.

The bald-faced fact of that one is it has nothing to do with the building code, it's simply that steel sells for \$40 a ton more in the United States, plus the exchange, and the industry is milking it for all its worth. The restricted supply letter apparently was circulated about December 1977 and is now beginning to take its toll. When I hear these things, such as the export market for cedar from the west out of the country and the export market for steel and I know about some of the export markets for raw materials, it makes me wonder about our economy and the terrible state that the Tories continually say it's in.

Hon. Mr. Grossman: The federal Tories.

Mr. J. Reed: Federal Tories.

Hon. Mr. Grossman: The opposition parties have a habit of doing that.

Mr. J. Reed: But the fact remains we have a similar situation here regarding steel companies and I have had companies coming to me complaining. There were three that I have documented reasonably well. They are coming and saying, "Look, we can't get an adequate supply." I had one fellow who has a tremendous market exporting wood stoves to the northeastern United States, and at one point he was so short of steel plate that he had practically made a decision to ship material out of a warehouse in his Mexican operation all the way to Canada in order to fabricate these darned wood stoves and get these orders out.

We have documented other cases. For example, there is a chap who has orders for structural steel buildings and he has to delay their erection for two or three months simply because he can't get steel. It is not that the mills can't produce it. They are producing far more than is needed. It is because of this very attractive market in the United States.

Hon. Mr. Grossman: I might comment just briefly on that, Mr. Reed, and Mr. Laughren will enjoy this reply. One of the difficulties here is that the steel industry has been enjoying a boom and has been trying to develop the export market. One of the problems we face is their very success in developing those export markets, and as you mentioned, the price is very attractive in these export markets which they have succeeded in developing.

Mr. J. Reed: It is strictly price.

Hon. Mr. Grossman: The very success of doing something that is laudable in terms of increasing exports has now led to a situation in which they are in fact—a little order, please; this is very important—creating a situation where there is a restrictive supply here where the prices aren't what they might be.

There are some other related problems which are happening right now. Stelco, we understand, has one furnace down for re-lining which is affecting the situation. I understand the increase in the export of steel in 1978 is equal to fully two per cent of 1978 production. So there you have it. It is right there. That is the increase.

Those are our problems. Mr. Laughren may have more to say on export markets and so on, but it is a very related situation.

Mr. Chairman: Mr. Laughren, you are next so here is a chance to make your comments.

Mr. Laughren: Thank you, Mr. Chairman. I anxiously await the day the minister announces he has an export restriction program in Ontario. That would be a sight to behold.

There are a couple of things I found of interest in the minister's comments. One was his promise to make a statement on the GATT negotiations and I would simply ask him if he could arrange to provide that before these estimates end. The estimates will be—

Hon. Mr. Grossman: We will.

Mr. Laughren: We go Thursday night.

Hon. Mr. Grossman: I am trying to have it by tomorrow.

Mr. Laughren: I am a little bit testy with you and your ministry. You are either not giving us the information at all, not tabling documents, or are doing so when they are of no use to anyone, as far as debating the issue goes.

Hon. Mr. Grossman: You got a document from me you never thought you would get.

Mr. Laughren: I didn't get it from you, though.

Hon. Mr. Grossman: Yes, you did.

Mr. Laughren: I got it in a brown paper envelope.

Hon. Mr. Grossman: You got our submission to Reisman.

Mr. Laughren: Oh, yes.

Hon. Mr. Grossman: You didn't think you would get that, did you?

Mr. Laughren: No, I didn't. As a matter of fact though, the document that was the most honest and made the most sense was one you didn't give to us. I know what that says.

Hon. Mr. Grossman: But we prepared it.

Mr. Laughren: You prepared it. Your ministry people prepared it. Those are the kinds of things you should be tabling so we could have a more honest debate.

Hon. Mr. Grossman: At the appropriate time, we will go through the formal steps of tabling it.

Mr. Laughren: Yes, yes. That is going to come this week, I guess.

In other words, either tomorrow or Thursday you will table or read in the House a statement on the GATT negotiations. I look forward to that with interest, if not craving.

Hon. Mr. Grossman: Don't say that.

Mr. Gaunt: Almost sounds seductive.

Mr. Laughren: I'm going to be very non-provocative tonight.

Mr. Chairman: Non-productive.

Hon. Mr. Grossman: So what else is new?

Mr. Laughren: I knew I wasn't in a room full of friends but I don't want to be provocative. I would like to say, though, that I do not want to talk about tourism tonight. There

is another vote for tourism. But, other than to say that, if we really want to turn Ontario into a tourist paradise, we'll create a socialist Utopia here. The tourists will flock here from all around the world, Vince, from all around the world to see this—

Mr. Kerrio: The socialists can run to England; they have Utopia there.

Mr. Laughren: No, we're talking about a socialist Utopia in a country like Canada, with the resources and the wealth that we have.

Hon. Mr. Grossman: The zoos have always been a tourist attraction.

Mr. Laughren: I wanted to—not fair. I wanted to say to the minister that there are some things over which we disagree profoundly but there are areas in which we have some agreement. For example, his—

Hon. Mr. Grossman: Strike that from the record.

Mr. Laughren: —employment of speechwriters is something that I applaud. I think that you should have them and I think that it's money well spent. I would only ask you—

Hon. Mr. Grossman: I want to hear what's coming.

Mr. Laughren: I'm letting him draw his own conclusions. I would only ask you if you have the same speechwriter as George Ashe. Do you know if you have the same speechwriter? Presumably these people, these free enterprisers float around and—

Mr. Eakins: Larry says it much better than George ever did.

Mr. Laughren: I'd like to read a speech—just one little excerpt from a speech made by George Ashe to the—

Mr. Kerrio: What's that got to do with industry?

Mr. Laughren: You'll understand in a minute if you let me read it.

Hon. Mr. Grossman: I wish you hadn't asked that question, Vince. I knew.

Mr. Laughren: He made it to the Society of Industrial Realtors. That certainly ties in with industry and tourism, doesn't it? The minister is very familiar with the whole realty field, anyway. I know that. He starts out and he says: "I want to tell you a short story. One hundred years ago"—What is George Ashe, anyway? Parliamentary assistant to—

Hon. Mr. Grossman: The Minister of Inter-governmental Affairs.

Mr. Laughren: Yes, that's right. "One hundred years ago, there was a terrible pollution problem in North American cities. It

was, quite simply, horse manure." I'm reading. I'm not making this up.

Hon. Mr. Grossman: Let's fight for the socialist Utopias again.

Mr. Laughren: No, no, this is his plea for free enterprise. "The average horse dropped 23 pounds of manure per day on the street alone. It was carried into stores, restaurants and homes."

Mr. Kerrio: The farmers were really smiling.

Mr. Laughren: "It posed a terrible health problem. A shoveful of horse manure would breed 1,000 flies every two weeks. Getting rid of horse carcasses posed more of a problem than getting rid of derelict automobiles today." He knows how to put it in context, doesn't he? "In fact, the problem was so bad that, in 1842" this is the only part of the story I don't believe—"a gentleman named Dr. Snodgrass predicted that, if things kept progressing at the same rate, cities would be eight feet deep in horse manure within a hundred years." It may have more to do with speech writers—

Mr. Kerrio: I think we are going to have to vote out that Tory government.

Mr. Laughren: And here's the pitch for the free enterprise system. "Well, obviously and fortunately, that never happened. That prediction seems ridiculous today because it ignored the role of innovation. It ignored the enormous vitality of industry to respond to a shifting and challenging environment." And then he goes on: "But the popular fallacy today is that business is reactionary and that it resists change." Well, I think he was right up to a point. That was a serious problem 100 years ago but, when he talks about industry resisting change, he's fundamentally wrong. There was a day when industry would have said: "Look, just leave us alone. Let the market system look after everything." But now they've changed; they are not resistant to change. Now they say. "Oh no, we are not going to hang our hat on the whole free enterprise capitalist model, any more. We need help."

And it's very strange that, while they haven't resisted change in one sense, in another sense they have. They talk about deregulation and they talk about leaving themselves alone while they've got their hand out at the public trough. That's one of the areas on which we are going to disagree during these estimates. But there will be more.

[10:00]

One of the other areas we disagree on—and the minister touched on it a few minutes

ago—is the whole question of what your first priority should be. The minister knows what I am talking about. It was raised in the Legislature.

Another area is the whole role of resources. I think it is unfortunate the minister never talks about northern Ontario—perhaps it's geographic as much as anything else. In any of his speeches I have read—and I am one of a growing legion who read his speeches—he never talks about what the possibilities are for using our resources as a lever for developing this province. I know the chairman of the committee would agree with me.

The other area is the whole question of what the role of government should be—whether we are talking in terms of government stimulating the economy or actually intervening in it. That's a question we have to address ourselves to very seriously. The minister has admitted, and I think quite honestly, the Ford grant for example was a form of ad hockery that had to be done quickly, and that is the way they did it—without guidelines, without guarantees and so forth.

The simplistic response doesn't work any more from any side in terms of what should be done. I am sure the members opposite would agree to that. One minute they are quite firm about the free enterprise system not needing government intervention and the next minute applauding when the government does step in with intervention in the form of cash grants or whatever. If the members are honest they will admit that themselves—that it is not quite as cut and dried as it used to be.

The whole question of the auto pact and the Reisman report is something I want to talk about. If I don't talk about it certainly the member for Oshawa will be in to talk to the minister about that.

The cash incentive programs are something we desperately want to talk about. I think that needs to be debated. As a matter of fact, it probably should be debated in the Legislature at some point rather than in committee. We are very concerned about what is happening there and the lack of guidelines, guarantees or equity. Whether you are talking about cars or whether you are talking about pollution abatement equipment it's something where policies have to be developed.

Finally, the area I am very uneasy with is the whole question of the Foreign Investment Review Agency. I have raised it with the minister already in terms of what Ontario's role is in applications by companies for either mergers of existing industries or

new investments. Ontario has an input into all FIRA decisions. They claim that 95 per cent of the decisions they make are concurred with by the province involved. I would like a lot more information on FIRA. I would like to know as we go through it—I will deal with it in more detail later—exactly what has gone on and to what extent all those decisions should have been concurred in by the minister.

The whole question of what we should do as an economic policy for Ontario is one I am interested in talking to the minister about. It sounds like rhetoric but when the leader of this party says that before you try to balance the budget you should try to balance the economy he makes good sense. With a healthy economy it would be much easier to balance the budget than it is the way things are now.

As that paper from your ministry said, the economy—particularly in manufacturing—is in a state of disequilibrium. That's a difficult confession to make when you have been the steward of the economy for 35 years. But it is one that has to be made, because until that confession is made you are not going to address the problem.

I was glad to see that, not because it gives us any satisfaction to say that we are in trouble or to say that we've got serious problems. I know that members of the government sometimes think we get satisfaction out of misery. But unless we start admitting where the problems are we will never address them properly. I find it very strange the minister and his people would make that confession, and then play games with it. That's what I want to talk about.

First of all I think the minister—if he is serious about addressing the problems in the economy—has to have some kind of focus on what he is going to do. I am not talking about tourism now, I'm talking more about industry.

I think you should focus on three or four of the key sectors in the economy where there are problems. I think that way you can, almost as the federal task force on industry and tourism did with its sectoral analysis. There's some good information in those 23 reports that the federal government did. We've certainly done that in this party. We've taken a look at some of the key sectors, like machinery, auto parts, textiles and electrical products. It's very enlightening when you get inside a sector and see just what the problems are.

The problems will almost inexorably lead you to conclusions, unless you're chicken. Then you'll avoid the conclusions and that's

what I gather has happened with the government. I don't expect the minister to confess to that, but it's a fact. If the government continues to acquiesce and say that that's a federal government responsibility, then that's a dangerous line to take because you know that their record in giving directions to the economy is sad indeed. If you leave it to the federal government, given the fact that the hearts of all those sectors are here in Ontario, then you're abandoning your responsibility to the people of Ontario. I don't think that you should be prepared to do that.

At the sake of repetition, because I think it's terribly important, I'd like to remind the minister of some of the things he said—not of many, but about three things he said. On October 30, in the mean and miserable confines of the Harbour Castle Hotel, talking to the Electrical and Electronic Manufacturers Association of Canada—a very good group to be talking to in terms of problems in the Ontario economy, I might add—the minister said: “The essential principle is that increasingly our manufacturing enterprises need a truly national market in order to achieve the skill of operation that modern technology demands. That principle will, I am sure, be understood and accepted as a starting point for the ministers of the other provinces and the federal government.”

That's a very clear statement on where you start in terms of addressing ourselves to the problem. That was on October 30. On November 2 at the Harbour Castle Hotel as well, to the government purchasing opportunities exhibition and seminar, the minister said: “One of the biggest problems faced by Canadian manufacturers is the difficulty in achieving sufficient scale of operations to permit the development of the technology we need to compete internationally. We can begin to achieve that scale of operation only”—and I emphasize the word “only”—“if we are able to command a dominant share of our own domestic market.”

I don't know anyone who could disagree with those two statements. Then, however, on December 1, a month later, he said the following—and this is where I am extremely disappointed—to the Oakville Chamber of Commerce: “To correct our economic problems, the export of industrial and agricultural goods has to be our first priority.”

If that isn't a clear change in policy, in priority and in emphasis, I don't know what is. If you had some reason for changing, I could understand it. If you have some evidence that occurred or something that came to your attention in that one-month period to change your mind, I'd like to be con-

vinced and I'd sure like to know what that evidence is. I have my suspicions, but I'll tell you I think you were fundamentally and profoundly wrong to do that.

You were right in the first place. Those first two speeches were right on. That is where you have to start. Tell me how you can satisfy world markets when you can't satisfy domestic ones. Tell me how you can build an industry that's going to cater to world markets before you've created one or several that can cater to domestic markets. I would sure like to hear that story.

I'm worried because I think that what you've done, quite frankly and quite bluntly, is walk away from the problem. You know what the problem is and you've simply walked away from it. It's tough and I know it's tough. But I think you could set a precedent in this country by at least trying to tackle the problem. You can't play those games pretending that's the solution to a very serious problem. The minister knows what the deficit is in end products in our economy. He knows that the problem is imports. It's not stimulation of exports. The problem is the level of imports into our economy. To stimulate exports defies logic so much I can't believe it was not done for other than chicken-hearted reasons. I mean that. I think you've let us all down by your stance. It's really sad.

I had some hope you would tackle the problem because you came into the ministry with a reputation for wanting to tackle difficult problems and most of us felt you wouldn't be completely captive to the people around you—no disrespect, of course—that you would not acquiesce, and if you saw a problem, you would tackle it.

Here's a case where you haven't. So early on in your stewardship, you've walked away from a tough problem. I don't think I'm being unfair. Look at those four sectors I talked about—the auto, machinery, electrical and textile and clothing—and you end up with a quarter of all the manufacturing employment in Ontario. You end up with about three quarters of the deficit we have on manufactured goods just in those four sectors. You're not going to solve the problem by stimulating exports.

I would like to know where you're going to stimulate the exports to. Is it the Third World or is it the US market? That's something you have to tell us. Where are you going to stimulate your exports to the degree that is going to resolve the import problem? That's what we need to know because it's not good enough for you to stand up and say you're going to do it. You and I know that exports to the developing

countries are only seven per cent of our exports, seven per cent. You can say that means there's lots of opportunity for growth. Is there a lot of opportunity for growth in exports to the Third World where you're encountering labour costs and so forth against which we simply can't compete?

If you say we are going to increase exports to the developed countries, what are you going to do about their nontariff barriers? Are they going to fall down for you all of a sudden? Are you going to wave the magic wand and have them disappear?

I suspect you know that over 80 per cent of our exports are to the USA. I don't know what you see in the USA that indicates you can make a major breakthrough in exports. If you do see something share it with us because we'd love to know.

If you think it's the devalued dollar, may I remind you that's a mixed blessing given the amount of imports we have of component parts. If you add together the four figures I gave you, you're pushing a billion dollars worth of extra costs because of importing them at a devalued dollar. Where's your advantage there? Relying on the devalued dollar is no long-term strategy anyway.

So I don't know how you're going to do that. I wish you'd clarify it for us. It sounds to me, and I said this in the Legislature to the minister, distressingly like the Reisman report. Did you learn a lesson from Reisman? The way to deal with a problem is not to deal with it? You would agree, I'm sure, that Reisman avoided the problem. He avoided the problem. In his report, he ignored the real problem. The problem is trade with the United States, the problem is not trade with the Third World.

You and I know that the problem is dealing with foreign ownership in the Ontario economy. That's the problem you've got to deal with and you refuse to do it. We're not suggesting you can snap your fingers and resolve the problem, but what you're doing is grossly unfair. You're walking away from it. You're refusing even to admit that's the serious problem. I'm going to stop talking in a minute, you'll be glad to know.

[10:15]

Mr. Hall: We want more, Floyd.

Mr. Chairman: That was unanimous, I might add, Mr. Laughren.

Mr. Eakins: Just as you were getting warmed up.

Mr. Kerrio: It's still a game. You've just got to run the clock another 15 minutes.

Mr. Laughren: If you provoke me I'll go all day tomorrow on the same topic.

Mr. Mackenzie: It's the first time tonight you've heard common sense.

Mr. Laughren: May I just ask the minister to do me one favour, please?

Hon. Mr. Grossman: Name it and it's yours. Don't say it's not mutually exclusive.

Mr. Laughren: Yes, that's right, don't say it's not mutually exclusive that you can replace imports and you can increase exports both as your first priority. Well, don't do that to me. Frank Miller was bad enough. Don't slip down to his level of debate. It's a very frustrating experience carrying on a debate with Frank Miller, I might add. He's a charming fellow.

Hon. Mr. Grossman: Unlike myself. You won't have that problem with me.

Mr. Laughren: I can see he is the logical person to have built Santa's Village, but not to engage in a serious debate on the economic policy of the province. As a matter of fact, dependent upon the minister's response during the next couple of days, I may even put the wheels in motion to have Mr. Grossman and Mr. Miller change jobs.

Hon. Mr. Grossman: I've always wanted to own Santa's Village.

Mr. Laughren: Well, yes, that's exactly what it is.

Mr. Hall: Can we work a Cassidy-Laughren reciprocity? Blushing approval.

Mr. Laughren: You fellows. I'd like to hear the minister tell us what it was between the beginning of November and the beginning of December that changed his mind or the people who are bending your mind said that caused you to change so totally. God, don't insult us all by saying you didn't change your policy. You have every right to change policy but tell us why. Tell us why you changed your mind between the beginning of November and the beginning of December? We can get on with the rest of the debate in these estimates which are considerable. We've got a lot to go through, but so help me, we're not going to get very far until you give us some straight answers on why you changed your mind. I'll stop for a moment, Mr. Chairman.

Hon. Mr. Grossman: My reply is limited, since Mr. Laughren has forbidden me from saying they are not mutually exclusive and forbidden me from saying I didn't change my mind.

Mr. Laughren: You'd insult your intelligence in both cases.

Hon. Mr. Grossman: Therefore, let me start on a more positive note. I did feel quite seriously and without making any bones about it, at this stage and my time in the ministry, I'm trying to talk about some goals and objectives and priorities as I see them.

Mr. Laughren: First priorities.

Hon. Mr. Grossman: I'm glad you pluralized that, Floyd. First priorities.

Mr. Laughren: You can only have one priority.

Hon. Mr. Grossman: You said it, you said "first priorities."

Mr. Laughren: That's not what you said.

Hon. Mr. Grossman: In any case, what I'm trying to do is set out those general frameworks as I develop the focus to which you have referred. I can assure you and I guess you know from my experience in my first job, that I won't beg off for very long. In fact, I'm not used to begging off in terms of saying I haven't been on the job long. I am trying to focus in on those areas in which I do think we should concentrate our efforts. I'm going to try to do that and be explicit about that as time goes on.

In the groups we were talking to, I very consciously looked at the groups we were addressing and what those persons should be concentrating on in the sectors with which we were dealing. In the case of EEMAC, obviously, they are a group that is suffering as a result partially of government procurement policies or lack of government procurement policies in other provinces—Manitoba being one in particular which has just chosen to purchase some heavy electrical equipment from a foreign country instead of buying some made in Ontario.

I think it is quite proper to address that issue as a priority, which we have, in terms of saying to that particular group: "Look, we are not ignoring you. We are not going simply looking at the export market. We are going to pay some attention"—and it was I suppose 10 days, 12 days after I got this job, I did want to indicate to them that at that stage and at this stage today I wasn't about to go to the export market only but felt there was truly a national market here for them and that I was going to work as one of my priorities on seeing if we couldn't do what was necessary to allow them to fully participate in the national market.

The next occasion upon which I addressed domestic markets was the government purchasing exhibition. Obviously the whole thrust of that campaign is shop Canadian, import replacement, and you have agreed that that is a proper endeavour, a laudable goal and all

of that. So I won't spend time on it except to say obviously that was a logical thing to drive home to those people. We weren't dealing with people who are exporting. I was a totally different function.

December 1 in Oakville I was speaking to a group of people who obviously will have an opportunity to benefit from any efforts we may make to help industries address, attack and participate in the domestic market. In Oakville it was important, to take advantage of the time I had there to talk to those people about something that is going to happen anyway and that is the removal of a lot of tariff and nontariff barriers. Indeed, I would have been missing an important opportunity and letting them down in a sense if I were in a place like Oakville, close to the American border, with a lot of natural things going for it in terms of location, access to labour markets, access—

Mr. Laughren: You could even have talked about the auto pact.

Hon. Mr. Grossman: —I could have talked about the auto pact—in terms of access to the American markets and so on, if I ignored GATT and the export opportunities that indeed GATT was going to open up, I just shouldn't be going to Oakville I would suggest and deal with neither the auto pact, which I could have dealt with, nor the GATT negotiations, which will affect Oakville among other communities but presents very great potential for Oakville. I think it was very appropriate for me to address that particular priority, and it is a priority, at that time. I have to say this too, that if we are going to simply set as our only priority, as you would have it—

Mr. Laughren: No, no, first priority. Don't be silly about it. It is not a case of only priority, come on.

Hon. Mr. Grossman: Fine, that's what I wanted you to say.

Mr. Laughren: You are playing games.

Hon. Mr. Grossman: Because that is exactly what I've been saying.

Mr. Laughren: No, no.

Hon. Mr. Grossman: When I say that exports are not our only priority that is exactly the message I've been trying to give you for a couple of days.

Mr. Laughren: Talk about your first priority.

Hon. Mr. Grossman: With respect, I would be happy to argue with you about which should be our first priority as far as my ministry is concerned. I am quite comfortable to focus, among the other focuses we might

develop, on those two. I don't think a discussion with regard to which one of those, as though I can only choose one as a first priority, would be any more fruitful than a discussion as to whether I spend more time on the tourism side of my ministry than the industry side of my ministry.

I mean, I don't hear you arguing, for example, that I can only have one priority or one first priority and am I picking industry over tourism. Would you like to ask me that question? Would you like to tell me which one I should pick, if you want to argue that? Let Hansard record that you are saying no, because you obviously don't want to be in a position—

Mr. Laughren: No. I'm shaking my head at being sucked into a totally irrelevant debate with you. If you want to talk about which should be your priority, which should be your first priority in terms of the problem with deficits and so forth I will debate that with you until the sun comes up. But don't start throwing in the red herring about tourism versus industry. That's a silly tactic you're using.

Mr. Mackenzie: Argue that with Kerrio, he is the one who raised it.

Hon. Mr. Grossman: It's only silly—

Mr. Laughren: Talk with Kerrio about that kind of nonsense.

Hon. Mr. Grossman: With respect, it is only a silly tactic because you are having trouble dealing with the challenge. It is no more relevant, for example, for you to argue whether small business is my first priority, as opposed to dealing with the export market, tourism, or whatever.

Obviously, you can use whatever time you have in these estimates to get in a dialogue about what's first or second. For my part of the dialogue, let me say that my focus will be equally placed upon both the export markets and developing domestic markets. That is important replacement. That's quite clear.

Mr. Laughren: We now have a balance. That's your third position.

Hon. Mr. Grossman: Well, with respect, it's not my third position. I haven't changed my position and I've made clear to those two groups, as I have, for example, made clear on the tourism side—

Mr. Laughren: At least it's refreshing to hear you admit it.

Hon. Mr. Grossman: On the tourism side, I am going to emphasize some very important areas. I'm not doing this to the exclusion, in any way, of problems regarding export mar-

kets, on the industrial side; or in terms of encouraging the domestic market sectors.

With respect, you talk about red herrings and so on. I think a more fruitful method of discussion would be to go at this type of discussion on a sectoral basis. Because, in some sectors, the potential and emphasis may better be placed on one or the other.

Mr. Mackenzie: Nobody has been able to figure out what you've said yet.

Mr. Chairman: Let's have a little order here, please.

Mr. Kerrio: A little common sense wouldn't hurt, either.

Hon. Mr. Grossman: So, perhaps, given that background, you can use our time as you wish. I think that we can better use our time by dealing with various sectors, perhaps. In discussing each particular sector, you could deal with where you thought emphasis should go, on one or the other of those alternatives, as you see them.

In some instances, if we take proper advantage of the methods outlined in the adjustment paper which you lauded a month ago which said that export markets could be opened to us by the GATT negotiations—this might permit some industries to build production volumes which will make them more competitive and more productive. They would be more competitive in Canada against growing imports that are coming in to his small domestic market.

So, there are some instances in which some attention paid to the export market during the adjustment period will help us very substantially in a domestic market. I don't want to use words that you so violently object to—"mutually exclusive". But it is fair to say that, as we go through estimates, sector by sector, if we have time, we may find there are areas where that is terribly applicable.

We only have a couple of minutes. I did want to say that, unless there is any misapprehension out there, one of the things we have been carefully saying about the devalued dollar is that it, in fact, is not part of our long-run strategy. The federal government is trying to prove how clever it was by allowing the dollar to deteriorate to a point where we can now export and deal in international markets. We kept bringing Mr. Horner and others back to reality—I hope—by reminding them that the devalued dollar is only an opportunity which has arisen out of our economic problems. It is just a realistic reflection of where we stand in the world. In a sense, it's an opportunity and, unless we respond to that opportunity, then we will have blown it badly.

So, we don't deal with it in this province and, in my ministry, in any sense of a long-run strategy. As you have read in some of my remarks, I have been very careful to say that we must respond in the next 12 to 24 months while the dollar is at 85 cents because, first: it's not going to stay at 85 cents forever.

Secondly, there are other things that are going to happen. If we don't respond well when it's to our advantage, we'll have missed the opportunity. It is by no means a long-run strategy. It's simply an opening, a window through which we must go in the next short period of time. I've more to add to those, but we'll have to get into it tomorrow.

Mr. Laughren: Perhaps tomorrow we can discuss it.

Mr. Chairman: We've run out of time. Was there any more discussion under vote 2202, policy and priorities program?

Carried?

Some hon. members: No.

Mr. Chairman: It's too late now. It's 10:30. We'll adjourn until tomorrow morning, if that's the case, at 10 o'clock.

Mr. Eakins: That's ridiculous. We didn't get started on it.

Mr. Kerrio: You just don't carry a vote that fast.

Mr. Chairman: Why not? We haven't got much time. Very well, tomorrow morning at 10 o'clock, we'll continue with the vote.

The committee adjourned at 10:30 p.m.

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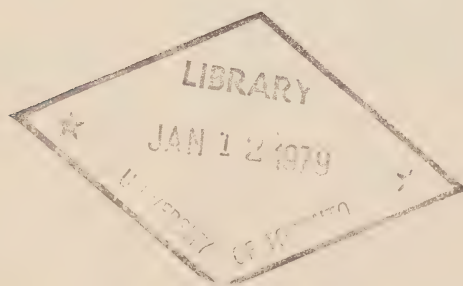
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Estimates, Ministry of Industry and Tourism



Second Session, 31st Parliament

Wednesday, December 13, 1978

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, DECEMBER 13, 1978

The committee met at 10:12 a.m.

ESTIMATES, MINISTRY OF INDUSTRY AND TOURISM

(continued)

On vote 2202, policy and priorities program:

Mr. Laughren: I believe I had the floor when we adjourned.

Mr. Chairman: No, Ms. Bryden wanted the floor. But it's all right, we'll let you have it, Mr. Laughren.

Mr. Laughren: I don't intend to flog forever the whole question of the minister's first priorities because there's an old saying where I come from that you can take a horse to water but did you ever smell a wet horse? We'd be getting into a bottomless pit with the minister.

The one thing I would like to know from the minister though, is in view of the fact that he has this beautiful balanced priority program—I'm sure it will be coined by the minister BPP very shortly—could he tell us the main planks in those two programs?

An hon. member: Cedar.

Mr. Laughren: One is to stimulate exports and the other, equally important with an equal thrust, is to replace imports. Perhaps the minister could tell us what the main planks are, I'm not asking for his manual, I'm asking for the main planks in those two programs.

Hon. Mr. Grossman: I might take this opportunity, if Mr. Laughren will let me complete my remarks, to address not only that question, but some of the others he raised last night.

Mr. Laughren: Oh, certainly.

Hon. Mr. Grossman: I only had nine minutes to—

Mr. Laughren: Oh, another leadoff, yes.

Hon. Mr. Grossman: Well, you closed off last night and left me only nine minutes.

Mr. Chairman: No, you had 12 minutes last night.

Hon. Mr. Grossman: Twelve, I'm sorry. With regard to replacing imports, the Shop Canadian program with which I know you're

very familiar, and we handed out the material here the other night, is a most obvious and public up-front method of getting to import replacements.

Secondly, we identify government as playing a major role in the sense of its own direct purchasing, which I think can have very measurable effects. The latest estimate is that there is something like \$40 billion worth of combined government expenditures made on goods in this country and clearly not enough of that \$40 billion is being spent on Canadian-made goods.

[10:15]

That has some great potential, particularly if we can co-ordinate the various levels of government in the different provinces to co-ordinate their purchasing so that they are creating a large enough domestic market in a particular item, instead of having all governments order different sizes of the same item. Perhaps some effort might be successful in having all governments order the same sizes and the same types of the same products.

Now I can't pretend to you that the province of Ontario is going to be able to co-ordinate the purchasing practices of the city of Dartmouth, Nova Scotia, together with the entire province of British Columbia as well as a hospital purchasing items in Regina. But in answer to your question, one of the mechanisms is obviously government purchasing.

Thirdly, in replacing imports, in our own ministry we are spending a fair amount of time with Ontario manufacturers to assist them in locating domestic sources for some of the raw materials and other materials that go into their goods as they process them. I suppose not too many people would argue with the fact that there has not been a sufficient co-ordinated effort by the manufacturers in Ontario to identify opportunities to replace some of those materials and components. Nor has there been sufficient effort made by the suppliers of some of those goods to identify enough opportunities to supply those.

The seminar we had in the humble surroundings of the Harbour Castle to which you referred earlier—

Mr. Laughren: Mean and miserable.

Hon. Mr. Grossman: Well indeed, indeed. The reason we chose the Harbour Castle was that the reception was so overwhelming that we needed a place with large enough floor area to accommodate—

Mr. Laughren: Yes, I understand.

Hon. Mr. Grossman: —all those who wished to participate.

Mr. Watson: Overlooks Toronto Island, too.

Mr. Laughren: It overlooks the airport.

Hon. Mr. Grossman: Yes, that's right. I was looking after all my constituents there. You might be interested to know that there were 65 booths there. We had some 1,600 visitors to the show, some 1,400 direct business contacts established and the annual dollar value of the items offered by the exhibitors was about \$28 million. In other words, \$28 million worth of imports were identified at that one opportunity.

Mr. Laughren: I'm sorry, could you just explain that a bit? You mean there were domestic products on display which could have replaced \$28 million worth of imports? Is that what you're saying?

Hon. Mr. Grossman: No. There were \$28 million worth of items on display by government purchases which are presently being imported. In other words, it's quite the reverse of how you say it. We were displaying this \$28 million worth of imported items to try to let suppliers—

Mr. Laughren: Oh, I see. That was the value of total imports of those products represented. Is that correct?

Hon. Mr. Grossman: That's correct. That's a fair amount of dollars, particularly since in many instances you were talking about potential suppliers who weren't at all aware that that was there, that the government was buying this or buying that particular quality and or item. What could perhaps come out of that is someone might make a decision to start up a new line or to expand facilities to service this market which we've identified. We have indicated our willingness to buy a Canadian-made product and that could lead to further opportunities for that particular supplier if he decided to make that change in terms of dealing with other levels of government. Of course, we've by no means covered the entire area of government purchasing.

We would hope to be able to expand that sort of exercise to bring together not just government and potential suppliers to government, but to bring together the private

manufacturing sector and suppliers in the private sector.

Mr. Eakins: Do you have any figures on how much of that gap you can narrow?

Hon. Mr. Grossman: I'll see if we've got an estimate here. It really takes a lot of guessing—it's really hard to get a handle on that.

We are looking at a specific program to see if we can co-ordinate the efforts of those people in Ontario to pursue some major projects within Canada similar to the way Canada generally pursues and follows up on some international contracts. I'm thinking for example, of things like the Bell Telephone deal in the Middle East which has a lot of subsidiary things flowing to it.

We identify some opportunities: For example, there's no question that—

Mr. di Santo: That wouldn't go through because of the anti-boycott bill.

Hon. Mr. Grossman: Were you against the anti-boycott bill?

Mr. di Santo: I was not.

Hon. Mr. Grossman: The Bell Telephone thing is going through.

Mr. di Santo: But this was one of the problems that was foreseen.

Hon. Mr. Grossman: I don't think it will turn out to be a problem whatsoever.

In any case, we identify opportunities such as in Alberta, where there's obviously major development going on in the energy field. We are trying to put together groups of people as a package—people who are not working together now but who can comprise a team which can go out and assist in the development of some of those projects. So that is another direct way in which government can play a role bringing together some private sector people in order to attempt to keep part of that action in Canada and get part of it for Ontario. We think that's very important.

By the way, we have an estimate for Mr. Eakins' information. Our people have reported back that as a result of that show we would estimate some 25 per cent of government purchasing of imported goods could be replaced by Canadian goods.

So as you requested, those are some general areas we may look at. Perhaps you may have some other ideas and suggestions where we may further our efforts. Again, we're just getting into it now. I don't pretend after seven weeks we've got it all developed, nor do I pretend it just started when I got there. But that's the import side.

On the other priority—stimulating exports: I guess there are many things in our adjust-

ment paper, which you got brown-bagged to you, that would address the way in which we hope to take advantage of whatever comes out of the GATT negotiations. We would hope to use that as a positive vehicle to stimulate exports as a result of those new windows being opened to the rest of the world.

I could take you through what you probably know regarding what we do to stimulate exports—our international trade offices in New York, Chicago, Los Angeles, Brussels, Frankfurt, Milan, Paris and Stockholm. And of course there is the Far East exercise for which the head office is located in Tokyo. Through those offices, especially through our special areas branch in Tokyo, we are effectively able to cover just about every major market in the world.

I could take you through our trade shows. If you would like me simply to read you all the exercises we went through the past year, I'd be glad to take the next half-hour to an hour reviewing that for you. But I know you'd like to use that time more productively. I'd be happy to send you a list of what—

Mr. Laughren: For a history lesson.

Hon. Mr. Grossman: I knew you weren't interested.

I want to add one thing: It will be a continuation of our fairly successful trade missions. It will be an attempt to have a close look at an analysis of those trade missions and begin to deal with countries where we have a problem which goes beyond the usual commercial problems which somehow relate to a perception of Ontario or Canada which is unfortunate, and we are going to analyse carefully to see if perhaps some emphasis ought to be placed upon selling the climate, selling the political situation here in Canada a little bit in some countries and in some areas and emphasize the direct sale of specific products as the traditional sales missions have been in some other countries.

We are looking towards some more co-operation with the federal government. Mr. Horner has a task force studying the provision of federal services to exporters. Clearly one of the problems has been that there hasn't been a closely co-ordinated effort between the federal government and our provincial trade missions in some of these countries. We would certainly hope that that would improve somewhat. The only other thing I would add to that is that we are reviewing our direct support in terms of ODC and other programs to exporters, Ontario exporters, in a direct financial sense.

Mr. Laughren: Just before I move on to other things, I guess what's bothering me is

the whole question of whether or not you can actually pull off a double-barreled thrust of equal importance. That's what's bothering me. I think you end up doing a half decent job on each of them, there's no focus to your efforts and nobody really gets the message as to what we are trying to do. However, you have charted your course and I guess we will have to live with it. I really do think you are dabbling with the problem, but we will see as time goes on.

Hon. Mr. Grossman: May I add something, Floyd? Listen, I am sensitive to that concern. I share that concern. I don't pretend that we have the ability to change things around entirely in the course of 12 months and do it on all fronts. On the other hand, I would think it's unfortunate if we wrote off one side, or to be fair to the way you put it, and I do want to be fair to the way you put it, shift one to the side rather than neglect it entirely, which you aren't suggesting we would do and you don't want us to do. I would think that before any decision such as that were reached we would like to see how we can move on both fronts and give it a chance to do that.

With that in mind, I should indicate now—and it's the first time I've done it publicly—that we are contemplating reorganization of the ministry. That reorganization would tend to be along the two lines we have been talking about, and that is to focus responsibility in terms of the ministry into two areas, domestic market development and export development. So next year, if what we are contemplating now is put into effect, you will be looking at a totally different chart than you see here.

It will be an allocation of resources and manpower into those two particular streams, hoping to be able to specialize better in terms of the ability we have, in the sense of the people we have on board, to focus their particular specialties on both of those markets.

As we go into that reorganization and see how that works, I may be better able to address what you suggest may be a major problem in that we are attempting to do too much, which is essentially what you are saying. I may be able to answer that question as early as perhaps next June the way the reorganization is going.

Mr. Laughren: I think that's a good idea. I am not suggesting so much that you are trying to do too much as that you won't tackle the main problem. I think you need a starting point, and just to use your own words in one of your speeches where you said, "The starting point has to be meeting the demands

of the domestic market." I guess that's where we part company, not so much that you shouldn't be trying to do both but I think you have to start in one place and the other will follow rather than putting it the way you do.

[10:30]

I indicated yesterday there were a number of areas of disagreement and I think it is our responsibility as an opposition to tell you what we think you should be doing. The second area where we disagree, the first one being of course the imports versus the exports question, is on the utilization of the nonrenewable resources of the province. As you know, we have traditionally used our mineral resources in particular to pay for a lot of our imports of manufactured goods.

That day is now coming to an end because of increased competition in the Third World in resources and as well our resources are diminishing. Those two things mean we are heading for problems in the whole resource area. As a matter of fact, they are here already. We believe if there is one area in which the government has been—and I don't think I am using too strong a word—irresponsible, it is in the way that our nonrenewable resources have been squandered.

We simply haven't achieved what the economists call the linkages that should be attendant on our resources with our resources. We haven't received those. You don't need to look any further than the nickel industry to see what has happened there. The nickel is gone. We don't have the forward linkages in the kind of further processing and fabricating that we should have and we don't have the backward linkages sufficiently in terms of the mining machinery industry that we should have in this province. That is an indication that you have abandoned the resources to the private sector in such a way they haven't felt any need. They haven't felt an obligation to do those things that should be automatic with nonrenewable resources.

It really is incredible in Ontario that Falconbridge has been in Sudbury for 45 years—more, I guess—and it doesn't even have a refinery there. That is part of a huge multinational conglomerate. That is not a small operation. It is tied in with Superior Oil, for heaven's sake, a very wealthy conglomerate. We don't have a refinery. We have the dangers and the dirty work in Sudbury, namely, the extraction of the ore from underground and the smelting process.

When you talk about playing the role of the resource hinterland, you need look no

further than that. It is a sad commentary on the resource policy of this province that that has been allowed to continue for 45 years.

I want to tell the minister something. When the layoff committee was investigating the Inco layoffs, a fellow phoned me up and said: "This commission takes me back a few years. I've got a book I want you to look at." He brought me a book—I think the year was 1916 or 1917—on the Royal Commission on the Nickel Industry in Ontario. They had appointed a royal commission to look into the whole question of whether or not Inco—the same old Inco—should be required to build a refinery in the Sudbury basin or in Ontario even. They had used the argument that they couldn't do it.

We looked back. I read through that document, which was a massive document, and there they were using the same arguments in 1915 and 1916 that are being used today. Through succeeding generations the thing hasn't changed very much.

There is another question in which we get right down to the fundamental ideological argument about resources. I won't dwell on it too long because I know I am not going to convince the minister.

Hon. Mr. Grossman: You can never tell. I am very open-minded.

Mr. Laughren: In this case, I think I can, but I have got to say it for therapeutic reasons, if none other.

Hon. Mr. Grossman: Your former leader used to say "cathartic."

Mr. Laughren: You simply cannot impose taxation in the resource industry to get the kind of return that you are entitled to because, as soon as you impose your taxation or royalty or call it what you will, the grade of ore that becomes acceptable to the mining companies goes up. The higher the taxation or the lower the price on world markets, the companies decide that. It is purely an economic decision. I understand it very well and I have no quarrel with it even. It is just the way the system works out there. I have a quarrel with the system, but I understand the thinking behind it, that there must be an economic return.

Inco told us when they appeared before us that if the price drops, or if taxation levels go up, if five per cent was the acceptable grade then of course it becomes six per cent. You leave that one per cent behind because it's not economical to extract it.

That says something about the conservation of a nonrenewable resource. I firmly, passionately believe those resources can only be husbanded correctly if they are in the

public sector where you don't only have a single motive that determines your policies. I say, for socio-economic reasons, they should be in the public sector.

We could build the linkages into our resources policy if they're in a public sector. We could have a model for safety and health in the mining industry that would literally be a model for everywhere because of the scale of operations we have in mining. We could be a model in terms of the proper conservation of a diminishing resource.

That's why we feel so strongly about it. If it could not be justified for socio-economic reasons, it shouldn't be done for solely ideological ones. We believe very strongly it can be justified on virtually any measurement you want to use, or on any set of benchmarks. We think that's where those non-renewable resources belong. There's much more at stake than just a single company or several companies. There's a lot at stake in terms of where we're going as an economy. I don't pretend that if we owned the nickel in the public sector that suddenly the economy would turn around.

One time I was having lunch in Sudbury and it just so happened that the president of Inco was sitting across the table from me. He said to me in a very patronizing way, "You have to understand that nickel's like salt. You put a little bit here and put a little bit there." It's an alloy argument, you see, a little here and a little there. I thought I could carry on this debate but I didn't. I just said, "Pass the salt to me, please."

Hon. Mr. Grossman: Very patronizing.

Mr. Laughren: Yes, and I returned his patronizing attitude because there is no sense trying to convince the Pooh-Bahs at Inco that they should be in the public sector.

Hon. Mr. Grossman: Are you sure of that, Floyd?

Mr. Laughren: Yes, I'm sure of that. I won't even insist the minister reply. If he wants to, I'll take a break but if he doesn't, I'll go on with my next point.

Hon. Mr. Grossman: Take a break.

Mr. Laughren: All right.

Hon. Mr. Grossman: I guess most of what I would say in defence of the free enterprise system you will have heard before. Indeed, I've heard most of your defence in terms of having public ownership of those resources, so we'll save the committee the time.

I think it is important to point out, not by way at all of defence, some of the decisions the free enterprise, private enterprise companies have made. I understand and I

believe Falconbridge, for example, has a refinery in Norway partly because of the cheaper price of power at the present time in Norway. Inco, on the other hand, I thought it was interesting, in view of the history you gave us, built a refinery in Port Colborne in the great province of Ontario in about 1916 or 1917.

Mr. Laughren: Not because they wanted to do it, I assure you. When the royal commission started they refused to build it. By the time the royal commission had concluded its hearings they decided to build it.

Hon. Mr. Grossman: What you are saying is that moral suasion by government sometimes works with Inco.

Mr. Laughren: A kick in the head.

Hon. Mr. Grossman: Would that be fair to say, that moral suasion on the part of government sometimes does work with private enterprise?

Mr. Laughren: If they think you're serious.

Hon. Mr. Grossman: Well, that's fair. I think it's important to understand that you agree you don't always have to buy up companies.

Mr. Laughren: Surely. Your moral suasion convinced Ford they should accept your money, I know.

Hon. Mr. Grossman: I said moral suasion sometimes works and you agreed with me on that.

Mr. Laughren: Yes, of course.

Hon. Mr. Grossman: So it worked then. I just want to go back to something you said last night in terms of what I am sure was a moderately meant remark when you indicated that I had failed so far to address the whole question of resources, which you felt was somewhat understandable in view of my roots here in the great city of Toronto, and I do want to say to you that I know you didn't really mean that. I know that you know I will be addressing that question as time goes on, as indeed I have spent a fair amount of time with representatives of the north, such as the member for Timiskaming on my right and others, spending a great deal of time studying that industry.

Mr. Laughren: I was talking about your roots, not your branches.

Hon. Mr. Grossman: In any case, I want to assure you that it doesn't matter what part of the province I happen to be from, obviously the resource industry is very important to us.

The pulp and paper document issued a while back is something that is very close to this ministry and important to us, and indeed

I guess I am one of those persons who has taken the time, for example, to travel up to Dryden and walked through the Reed Paper mill and I want to make quite clear to you that was before I got this job.

Mr. Laughren: That's probably why you got it.

Hon. Mr. Grossman: I just thought it important for a person who wanted to be part of a government struggling with some of those problems to see what it was all about. So we will be dealing with the question of resources.

Mr. Laughren: Have you been underground yet in Sudbury?

Hon. Mr. Grossman: No. I would be happy to do that and we will.

Mr. Laughren: If you have trouble arranging it, I can do that for you.

Hon. Mr. Grossman: I probably will have no trouble doing it. Will you come with me?

Mr. Laughren: I'll take you to the proper shaft.

Hon. Mr. Grossman: I will be happy to do that. You have been trying for years.

Finally, in terms of the linkages you have referred to, you won't find me suggesting they have been as good as they might be. We acknowledge that. We do, on the other hand, want to state quite clearly that one of the priorities in terms of the GATT negotiations that Ontario has been pressing is the need for changed tariff restrictions in order to provide improved access for our processed products to foreign markets.

I hear so much about how important GATT is to the textile industry and other industries in southern Ontario and I simply want to take this opportunity to assure you that one of the high priorities before I got here and when I was in Geneva a couple of weeks ago was to emphasize to our negotiators the importance of getting improved access for processed products coming out of those natural resources we have and, of course, those tariff barriers are major problems to that.

If we fail, both as a government and as an economy in terms of the private sector involved there, to move into that secondary manufacturing and processing those raw materials, when we do have better access to those markets I am going to have to tell you we will have failed in our task.

That is as simply as I can put it. The opportunity is there. We place a high priority on it. We have emphasized the importance of that particular tariff change time and again, and we hope there will be a private sector

response and certainly the government will be front and centre in encouraging that development. It is your turn, Floyd.

Mr. Laughren: You were quite right not to get into a harangue about the resources, because we are not going to convince each other. I have the advantage of the immediate environment in which I live, as you do too. I want to tell you just one thing that happens to me every week that reinforces my commitment to socialism. I drive down—

Mr. Watson: We had better listen to this.

Mr. Laughren: Would you believe that Toronto reinforces my commitment to socialism?

Mr. Chairman: Reinforcement of retreads.

Mr. Laughren: When I leave the north, particularly when I have been in the north part of the riding where the small communities are—

Mr. Chairman: You are close to Timiskaming.

Mr. Laughren: There are very serious problems—and that is one of the reasons. When I drive down to Toronto I come along Highway 401 on to Avenue Road. I drive down Avenue Road and usually there is a traffic buildup by this time. It is usually around noon when I get here. I believe just before you get to the intersection of Avenue Road and Dupont there is a railway underpass, the cars go underneath the railroad tracks—I believe it is railway tracks.

[10:45]

Hon. Mr. Grossman: That's right, the CPR line.

Mr. Laughren: I didn't know if it was a road or a railway. Usually I end up stopping under that underpass as there is a backup from the lights. I look out my window and there on the walls of the underpass is baby blue bathroom tile. I want to tell you, when you come from areas in the north where they don't even have bathrooms and they are putting baby blue bathroom tile on the walls of the underpasses in Toronto, that is what convinces me that in the north we are not getting the return. We are not getting the kind of services to which we are entitled.

It is a small example to you perhaps, and maybe you don't understand it, but spend a weekend in a small community like Gogama where the water has been poisoned for 10 years and nobody will do a damned thing about it, so there is no communal water supply; go into other communities where there are those very serious problems and you come down here and you see that kind of excess compared to the necessities that are

lacking there and it does do something for you.

Hon. Mr. Grossman: I will report your concern to the municipality of Metropolitan Toronto—

Mr. Laughren: Save your breath.

Hon. Mr. Grossman: —about those baby blue tiles in my riding.

Mr. Laughren: I will tell you something, they don't even want those bathroom tiles up in Gogama. All they want is bathrooms.

The third area of disagreement I wanted to talk about is the whole question of government involvement and the role of government. I know I shouldn't be inflating the minister's ego by quoting him, but—

Hon. Mr. Grossman: Go ahead.

Mr. Laughren: I will try. On October 30—as a matter of fact, it is the same speech that you made in the mean and miserable environment of the Harbour Castle—you were talking about communication and said: "The type of communication is most important when we talk about the need for industrial expansion in Ontario. There are so many different theories, so many different statistics, so many different indicators that I sometimes think we are beginning to suffer from information shock."

Every time I read your speeches, Frank Miller's speeches, the Premier's speeches, I know where those different theories are coming from. They are coming from within your government. You have so many different opinions on what it is you are supposed to be doing. Then, of course, what you do is very neat: you tailor your message to your audience. You said that last night, that is one reason why you said at one time your priority was import replacement, because you were talking to people to whom that would be most relevant. Then the next time you made the speech you changed it to export stimulation because that was the message that would be most relevant to that particular audience. Is it any wonder there is confusion in communications?

Mr. Watson: That's known as politics.

Mr. Laughren: Well, it is known as Tory politics.

Hon. Mr. Grossman: You are right. I should have talked about agricultural policy.

Mr. Riddell: You could have, because it needs explaining.

Mr. Laughren: If I talked that way I wouldn't be talking in this room about the public ownership of nonrenewable resources, I should save my breath. There is some consistency.

Then he says: "Well, like most Conservatives I believe in the market system. I know enough history to know the market system works better than any other system of social and economic organization that has ever been tried. It works better, the creation of wealth"—oh, this is hard to take, given the state of the Ontario economy—"and it works better at preserving the liberty of the individuals to seek and to build challenging and fulfilling lives for themselves." The only thing he forgot to include was the one million people who are unemployed in this country.

He didn't talk at all about the distribution of that wealth that has supposedly been created. I know that this minister is not responsible for the distribution of wealth, but I will tell you, you at least made an honest statement in your opening remarks when you said your job was to fight for the private sector in Ontario. Your job was to fight for industry.

What is lacking is that when we have the estimates of the Minister of Labour he doesn't take that view. He doesn't say: "My job is to fight for the interests of labour." He says: "My job is to play a balanced role between labour and management." He is a political mediator. That is the difference in your government. You have one minister fighting very hard for the private sector and you don't have a minister fighting very hard for the interests of labour. If that seems like a diversion, it is not. I declare that it's not.

Hon. Mr. Grossman: Do you want me to respond now or later?

Mr. Laughren: Sure, go ahead.

Hon. Mr. Grossman: I think it would be foolish for government to pretend to labour, industry or tenants or developers, or to Pat Lavelle, or to go right through the economy that there is no one articulating their particular position or point of view within the government. I think all of those people are entitled to have someone articulate that point of view.

Mr. Laughren: Yes, of course. That's fine with me.

Hon. Mr. Grossman: I would like to believe that when I talk about my advocacy role on behalf of the industrial sector that I'm doing it in a balanced way. Perhaps you'd feel more comfortable if I had added that I always do it in a balanced way.

Mr. Laughren: No, I feel more comfortable the way you did it.

Hon. Mr. Grossman: I know you do for political purposes. I want to say I didn't feel it was necessary to say that because my job

as an elected representative, of not only my own constituents but eight million Ontarians, is not to take the role which I used to take as a lawyer, which was blind advocacy. I shouldn't say blind because the member for Brant-Oxford-Norfolk (Mr. Nixon) will get a copy of this.

Mr. Laughren: Like the Workmen's Compensation Board, yes.

Hon. Mr. Grossman: I should say straight advocacy with no other considerations entering into the case on the subject. When we get into a conversation such as on the minimum wage, I can assure you that while I put the position of business in a discussion in cabinet on the minimum wage, you can also be sure that it is a reasoned and balanced opinion. There is a larger responsibility that I have as an elected official. I represent a riding which has a fair number of people earning only the minimum wage, so I'm very conscious of that role.

I want to say that I don't apologize, on the other hand, for putting forward the position and the concerns of industry. That is not to say that when those conversations come up, I simply hardline it and pretend that it is my role to be a blind advocate and lie down like Horatio at the bridge saying the world is going to come to an end, unless industry gets its way on this particular item.

In fact, one of the reasons that that system works is that there are reasonable people sitting around the table. The Minister of Labour (Mr. Elgie), who can well address the concerns of labour, does it in a reasoned fashion and understanding. I shouldn't even bring this into this discussion, but on things like Bill 70 there is a stage in which the interests of the people he is trying to serve and the interests of the people who look to me from outside government as speaking for their concerns and articulating those concerns must meet.

I can tell you that I spent a fair amount of time with the Minister of Labour discussing Bill 70. I think it's fair to say that there are many people in the business community who are unhappy with the lengths to which Bill 70 went. There are many people in the labour community who are unhappy in that it didn't go further, but as representatives in a sense of both those sectors and the public at large, both he and I are very comfortable with the state of Bill 70 today.

Mr. Laughren: You should be happier than he is.

Hon. Mr. Grossman: I think it's important to refer back to last night's conversation.

Mr. Laughren: If you're gloating over your victory of Bill 70, stop it.

Hon. Mr. Grossman: It was not a victory. If you read the morning paper, you could tell it wasn't a victory. That was the front page story in the Globe and Mail this morning.

I think it's important to refer back to last night's conversation as you try to paint the advocacy role that I talked about in my opening remarks in a black and white fashion. It is your job as a member of the opposition to refer to such things as the building code situation which caused the member for Huron-Bruce's (Mr. Gaunt) constituent, Truax, some great problems. I think if we had the manpower and the knowledge—and I don't think very many places do—to have been able to advocate and foresee a concern when the building code exercise was on, then in simple terms the Truax situation may not have developed. That doesn't mean that there is a role for any particular minister or ministry in stomping on the rights of everyone else in the economy for the sake of business, as you would phrase it.

Mr. Laughren: Except that any ministry that has the—

Hon. Mr. Grossman: There has to be a balance in terms of making sure that the points of view are articulated. However, I may come down myself very personally inside that room. It's an important role. I think it's very important that the Pat Lavelles of this world, and the Jack de Klerks of this world, and the Cliff Pilkeys of this world and everyone else as we go through the sectors know in this society and in this government their points of view can be articulated. They will not necessarily be accepted automatically as a government formed by your party might be able to say to its labour component, but at least there would be a clear articulation. Everyone would be comfortable that those views were articulated.

Mr. Laughren: We've always been very proud of our relationship with the trade union movement. We also know one of the best things we can do to ensure the working people of this province a fair share of the wealth we create and distribute is to have a healthy economy out there. That's our obligation. It's nothing else. That should be thoroughly understood.

Hon. Mr. Grossman: Before Mr. Watson leaves, I just have to report to the committee apparently we checked into the Truax problem this morning. Perhaps someone will tell Mr. Gaunt the Truax problem has been solved. They've got the supplies they need,

thanks in no small way to a fellow named Dave Watson, who is the cousin of Andy Watson. Dave Watson is one of our fine industrial officers in that area. That is another problem solved by the government.

Mr. Laughren: You didn't even have to impose export controls. Isn't that refreshing?

Hon. Mr. Grossman: Report to your colleague we've solved one of Murray's problems.

Mr. Hall: Between the teacher and the lawyer.

Mr. Riddell: It's ironic you both should talk about trying to help the employees of this country when it's you people who are the ones who want to hoist the bill, if I recall.

Mr. Laughren: Hoist what bill?

Mr. Riddell: The occupational health and safety bill.

Mr. Laughren: In order to make it better. What are you talking about?

Mr. Riddell: Who made it better?

Mr. Chairman: I think we're wandering away from the original vote.

Mr. Laughren: Yes, you're quite right. I'll get back to it, Mr. Chairman.

The only other point I wanted to make on the role of government is the one we've been talking about a lot in the last week. That's the role of cash incentives.

We know the minister has been confessing lately.

Hon. Mr. Grossman: Confessing? I'm not confessing.

Mr. Laughren: I don't know where you go to confession but you have been confessing the reason the cash incentives have been done the way they have been in the case of Ford—

Hon. Mr. Grossman: I'll try.

Mr. Laughren: —is because you have no policy. You were quite frank about that. It's refreshing.

Hon. Mr. Grossman: I always am.

Mr. Laughren: Now we understand you are in the process of developing guidelines for cash grants, in order to keep the lineup small, I presume. I would hope if you persist in this policy the guarantees will be very substantial. The Ford grant was given solely with the intention of getting the facility here rather than in Ohio, I think it was. There were not attached to that, the kind of guarantees we would have found very hard to attach to it. I know the argument was that in Ohio they wouldn't demand any guarantees and if we did, we wouldn't get it. I don't

know where that leads you, but it scares me if you persist in that kind of policy.

The auto industry is already taking us to the cleaners in terms of our fair share; whether you talk about jobs, skilled jobs, capital investment, balance of trade, or research and development. We're being had, and it's all within the terms of the auto pact. We simply can't continue that way.

On the whole pulp and paper thing, it's a highly questionable policy you're getting yourselves into there. I was surprised by the way it was the Treasurer (Mr. F. S. Miller) who's pushing that rather than the Ministry of Industry and Tourism. I detected, perhaps, a sense you were just as happy if the Treasurer carried the ball on that one rather than yourself. I admit it really surprises me that the Treasurer, who is regarded as being one of the more small-c conservative members of the cabinet, would be the one who is out-flanking you. You are also considered to be in that general area of the spectrum.

[11:00]

Hon. Mr. Grossman: Which area did you put me in?

Mr. Laughren: I put you in the area of the spectrum that would not favour giving grants to the private sector. You can't extol the virtues of the free enterprise system one minute, and then give them cash handouts the next. The contradictions are awe-inspiring.

Hon. Mr. Grossman: I see. Okay, we'll get into that.

Mr. Laughren: When you do it without any guarantees it really is incredible. You have a couple of options open to you: taking an equity position, which I think certainly makes sense, or having the guarantees. As a matter of fact you can have both of those. As you would say, or as the Treasurer would say, they are not mutually exclusive. We are entitled to a return on the money we put in there on behalf of the taxpayers of the province.

With the pulp and paper industry—I get angry every time I think about it—there could be an enormously successful boom in pulp and paper in the next few years. Yet there is no guarantee that for our investment of \$100 million or whatever, we are going to get a return as a result of the increased profits because of the contribution of taxpayers' money. There are no guarantees I can see whatsoever. If there are, I would sure like to see them. And no equity. At least if we had an equity we would get a return on the increased profits of the industry. But you are not even getting that for us. That is not responsible fiscal management.

I'll leave that area and go to the fourth area which we—

Mr. Hall: How many have you got?

Mr. Laughren: Oh, I'm only at four and I see 19, 20—

Mr. Riddell: Same old stuff we went through on Treasury estimates.

Mr. Laughren: No, it's not. Well, some of it is.

Mr. Riddell: How many copies of Hansard do you send back to your constituents?

Mr. Laughren: That is one of my problems. I am a very poor politician. I don't exploit the role I play. Not at all. Not enough, as a matter of fact.

Mr. Eakins: You were approving vote 2202 last night and now you are going to go for another hour or so.

Mr. Laughren: No, I wasn't approving vote 2202. Don't complain. Please, Mr. Chairman, the Liberals had the floor—

Mr. Eakins: The Liberals didn't even come close last night.

Mr. Laughren: —last night from eight o'clock to 10.

Mr. Eakins: No way.

Mr. Laughren: And we did not object. That's true. Ask the chairman.

Mr. Chairman: No, that's not true.

Mr. Laughren: We did not have the floor for five minutes last night except from 10 to 10:30.

Mr. Hall: You can't tell the time either.

Hon. Mr. Grossman: Excuse me, in accordance with the practices we have developed I thought it might be appropriate—

Mr. Chairman: You had the floor for half an hour last night, Mr. Laughren—for your information.

Mr. Laughren: Yes, 10 to 10:30.

Mr. Chairman: For half an hour.

Mr. Laughren: Right, that's what I said.

Hon. Mr. Grossman: I thought it was an important contribution that Mr. Laughren made to this discussion.

Mr. Chairman: So far you have had it for an hour this morning so it balances off.

Hon. Mr. Grossman: Wrong as it might have been it was an important contribution.

Mr. Laughren: At least it wasn't a love-in.

Hon. Mr. Grossman: I have no objection to love-ins.

Mr. Laughren: With the Liberals?

Hon. Mr. Grossman: Not with males. In any case—

Mr. Laughren: With Vince Kerrio?

Hon. Mr. Grossman: There is no need to cover the whole incentive situation from start to finish again. I guess it is fair to repeat, though, a couple of things.

Firstly, the criteria for the incentives: obviously job creation. It is substantial in the Ford situation, substantial in the Hayes-Dana situation. Secondly, some leverage on the use of private sector funds, investment, and federal government funds as well, coming into this province. Thirdly, tax revenues to government. Talk about the return. I have to tell you I saw your leader talking about getting some shares of Ford Motor Company. I don't know how many of the 10 million issued shares Michael Cassidy thought he might get in exchange for the incentive deal, or what leverage he might exercise over Ford Motor Company as a result of getting six issued shares out of the 10 million issued shares of Ford Motor Company.

Mr. Laughren: Is that the point? Surely that is not the point.

Hon. Mr. Grossman: I must tell you I had trouble understanding his point.

Mr. Laughren: The point is that you get a return for your investment.

Hon. Mr. Grossman: May I suggest that if the return on all Ford shares were as great as the return we get on the incentive in terms of the tax dollars that come back—it is something like two and a half to three years we get all our money back—

Mr. Laughren: We are entitled to that.

Hon. Mr. Grossman: We wouldn't have been entitled to that if they had located in Ohio. We have all those people employed and I have to say to you, if you are looking for a return on the dollar, then your return coming back totally in two and a half to three years, plus all those jobs that wouldn't have been there, is a hell of a lot greater than the return you will get on buying 10 common shares or being given 10 common shares of Ford Motor Company.

Mr. Laughren: You are using a very bad example.

Hon. Mr. Grossman: If the return on Ford Motor Company shares were that good, there would be a hell of a lot of people out on the market bidding up those shares. Your return isn't that great.

It goes without saying as well that if the government went out and said, "We are going to give you \$6 million or \$7 million as an incentive, but we insist on getting some equity, which you will hand us in terms of \$1 million worth of Ford Motor Company shares,

do you think just maybe we would have had to pay an extra \$1 million in terms of incentives? Of course, because that would have been an extra cost of locating in Ontario. Ohio didn't say, "You have to give us \$1 million worth of Ford equity," whereas Ontario did.

I can't understand what the net gain would be, in terms of the leverage, the return on investment, or in terms of saving any money, because it would cost us that extra money.

This is the first time I have heard the suggestion that we should get some equity in exchange for government participation in any way. I notice in the great riding of Nickel Belt—

Mr. Laughren: Oh here it comes.

Hon. Mr. Grossman: —which in the last two or three years has received well over \$1 million worth of loans from NODC, there has been no request by the NDP for us to get some equity in Northway Industries or A and L Lafreniere Lumber Limited.

Mr. Laughren: Those are loans. Wait a minute now, those are loans. Those are not grants.

Hon. Mr. Grossman: It costs the people of this province money.

Mr. Laughren: They pay interest on those loans.

Hon. Mr. Grossman: It costs us money. Those loans cost us money. You don't think ODC is a profitmaking endeavour do you?

Mr. Laughren: I know that they charge a substantial interest rate and they get it paid back. Where is your interest rate on the \$28 million to Ford?

Hon. Mr. Grossman: Are you telling me it doesn't cost us money?

Mr. Laughren: No, I am not saying that.

Hon. Mr. Grossman: Are you telling me that we lend the money out at the same rate we get it?

Mr. Laughren: I am saying that comparing a cash grant to a loan on which you get an interest return is a specious way of making your point.

Hon. Mr. Grossman: The basis of your argument is that when the taxpayers of this province are putting money in the hands of a private entrepreneur, we should get some equity. And I have to say to you that in terms of the traditional ODC loan, we are doing that. It is a loan, but it is transferring public moneys to a private entrepreneur who in most cases can't get that loan from the bank.

Mr. Laughren: Right, which is paid back.

Hon. Mr. Grossman: And there is a subsidy component to that.

Mr. Laughren: Not very much.

Hon. Mr. Grossman: Once you acknowledge that it isn't very much, you have at least acknowledged there is a gap.

Mr. Laughren: Absolutely.

Hon. Mr. Grossman: It does cost the taxpayers of this province some money. What you are really saying is that Tamrockdrills Incorporated in Nickel Belt which got \$312,000 in terms of a loan—

Mr. Laughren: I know them well.

Hon. Mr. Grossman: —a small percentage of which was public funds being given as a subsidy, should not be required to give some equity to the government of Ontario, but the Ford Motor Company, because it is larger dollars, should have to give some equity.

Mr. Laughren: I object—

Hon. Mr. Grossman: I want your leader to be consistent. Either there is a principle or there is not.

Mr. Laughren: He is.

Hon. Mr. Grossman: The principle that he is espousing is where there is public money going to a private sector person or company, we should get some equity. If he wants to take that position, I would like to hear him take it as early as this afternoon in question period.

Mr. Laughren: Mr. Chairman, the minister really is being silly. As a matter of fact, we are not happy with the NODC either. Do you know that you lend the money, you charge an interest rate, but you don't even monitor the success of that program?

Hon. Mr. Grossman: Do you want to wait for the ODC votes?

Mr. Laughren: You brought up ODC, not me.

Hon. Mr. Grossman: Oh no, you brought up the principle of whether governments, when they give money to private entrepreneurs, should get—

Mr. Laughren: Without guarantees, equity, guidelines or anything.

Hon. Mr. Grossman: Wait a minute. Have you checked into what percentage of those guarantees and so on is involved in the approximately \$1.5 million that have gone into your riding in the last couple of years? All the \$312,000 that went into Tamrockdrills Incorporated was under the OBIP program, which is interest-free for five years.

Mr. Laughren: And what happens after five years?

Hon. Mr. Grossman: They start to pay it back. But it's interest-free for five years. That's worth a lot of money to them. I'll have somebody sit here and calculate the value of interest-free money for five years. Even you know that's worth a lot of money, Floyd.

Mr. Laughren: I'm objecting to the way you are doing all this.

Hon. Mr. Grossman: I would like to hear Michael Cassidy say, "We should get some shares in Tamrockdrills if we're going to give them interest-free money." Because, Floyd, that's what we did with Hayes-Dana. We gave them interest-free money under the same OBIP program for five years. I suppose he wants us to get shares of Hayes-Dana, but not Tamrockdrills Incorporated.

Mr. Laughren: There's an enormous difference.

Hon. Mr. Grossman: An enormous difference, yes. One's in your riding.

Mr. Laughren: No, no. I'm telling you that I object to you giving a loan to Tamrockdrills as well, if you don't have guarantees attached to it. And you don't have. In five years you don't know whether the jobs which that loan was supposed to create are still there. You don't know because you don't have a monitoring mechanism built into the system.

Hon. Mr. Grossman: That's wrong and you'll find it.

Mr. Laughren: It's not wrong. I've got correspondence indicating that. You know what you told me?

Hon. Mr. Grossman: Well, bring it this afternoon.

Mr. Laughren: I can certainly do that. You told me, "If you want to find out how many employees are still there, you will have to find out yourself from the companies involved." It's true.

Hon. Mr. Grossman: No, that's not so.

Mr. Laughren: It is so. The other point—let me finish—is that with the Ford Motor Company or the whole auto sector, we are entitled to the fair share about which I talked. We are entitled to a fair share. You are buying what is rightfully ours and that's fundamentally wrong.

Hon. Mr. Grossman: You can argue that under the auto pact, the Ford Motor Company was required to locate in Windsor. You also know that under the auto pact as it is currently framed, they are not.

Mr. Laughren: That's right. That's the problem.

Hon. Mr. Grossman: That's the situation that the government of Ontario finds in May or June 1978.

Mr. Laughren: And I haven't heard your broadside on Reisman yet, either.

Hon. Mr. Grossman: You have taken the position that given that factor, given that set of circumstances, we should not have done what we could to get that plant in Windsor. We just dramatically disagree on that.

May I say that you talk a lot about getting a better deal and better undertakings and more commitments from them when we give that money.

Mr. Laughren: You don't agree—

Hon. Mr. Grossman: As we get into more and more of these things next year, we'll be trying to get as good a deal as we can. If you have the impression—

Mr. Laughren: That means guarantees.

Hon. Mr. Grossman: —that we are not trying to get commitments and drive hard and good bargains, you're wrong.

Mr. Laughren: You admitted that yourself.

Hon. Mr. Grossman: We are trying. Look at the track record over the next year. If you think we haven't driven hard enough bargains given the set of circumstances, then that's fair comment.

Mr. Laughren: You'll be the first to know.

Hon. Mr. Grossman: I'm sure I will. I can predict you will take that position. But that's fair. All I can say to you is, yes, we very clearly try to get as many of the ancillary benefits and commitments we can.

For example, in terms of the Ford situation, they have agreed to use Ontario products and processes in their new plant. They will be working with us to maximize the amount of Canadian parts and processes that go into that.

Mr. Laughren: We can get into the auto pact in more detail this afternoon.

Hon. Mr. Grossman: It is more general than the auto pact. It's the question of incentives.

Mr. Laughren: I agree. One last argument, one last point—

Mr. Riddell: I object to your suggesting that the government should have shares in my farm because I happen to get a capital grant.

Mr. Laughren: A grant, a giveaway?

Mr. Riddell: Yes.

Mr. Laughren: Ah, Jack. The greatest free-enterpriser in the world—the inconsistencies.

Hon. Mr. Grossman: He didn't deny that he thinks he should have one, though, Jack.

Mr. Laughren: I would love a piece of the action on Jack's farm.

Mr. Chairman: You have to work for it, though, Floyd.

[11:15]

Mr. Laughren: I'm prepared to do that.

We actually are on a vote where we should be talking about the whole sectoral problem in Ontario. Perhaps it is time we moved to this vote. I would like to talk about the electrical products industry for a few minutes.

We know that the ability to produce electrical products is one of the signs of an advanced economy. The electrical products industry ranks number three, after auto and manufacturing, as an important industry in Ontario. There are problems in the electrical products industry. I know the minister understands this, because I believe that one of the groups he talked to in the mean and miserable environment of Harbour Castle—was the Electrical and Electronic Manufacturers Association of Canada.

That particular industry is 70 per cent foreign-owned. We have a deficit of almost \$1 billion a year in this country. And we have an absolute decline in the number of jobs, both in Canada and in Ontario. It's an Ontario problem because 70 per cent of the industry is in Ontario. As a matter of fact, over 90 per cent of small appliances shipments are made from Ontario and 79 per cent of the electrical industry's equipment—a total of 54,000 jobs.

It is an Ontario problem in terms of what's happening to it and the whole question of what the minister should be doing. I indicated the other day that what I thought the minister should do would be to focus on three or four key sectors and see what could be done there. That ties in very nicely with his two first priorities. We can perhaps talk about those.

Electrical products are a key—I will use the word again, although I hate jargon—a key "linkage" industry, in terms of the products it uses—metals, for example, and minerals; and also what it leads to in terms of other products that use this industry's products. So it is a key industry for the creation of jobs and wealth.

But what is happening in the industry is an absolute decline in the number of jobs. In 1974, we had 63,000 employees in Ontario. In 1978, four years later, we are down to 53,000. That's a 10,000 drop in 10 years; 2,500 jobs lost every year. At the same time, there is a shortage of skilled labour. That's

an equation you have got to deal with. You have got employers who want skilled people and you've got people out there who don't have jobs. It seems to me that it would not be too difficult an equation from which to evolve a skills program or apprenticeship, manpower programs. The government is very slow in moving towards this.

I don't know who has the statistical information—Treasury or Industry and Tourism. But there is a very significant time-lag between when the figures come forth and any indication of concern on the part of the government, be it Treasury or Industry and Tourism. Somebody needs to get their act together. These figures are there; they're available; and, if your people see the figures and understand what is going on, why has it reached this stage before they do anything about it?

The deficit I mentioned was almost \$1 billion. According to our research, the electrical products industry in Canada has the worst record of all the 13 OECD countries. That's a sad commentary. In 1974, we had a deficit of over \$700 million. It is now up to more than \$900 million. In that same year: the U.S. had a \$1 billion surplus; Germany, a \$2.8 billion surplus; and France had a \$308 million surplus. There's Canada, with about \$750 million deficit in that year. The \$934 million deficit now is estimated to be costing us 18,000 potential jobs. In that one industry alone.

It is not getting better; it is getting worse. It is looking at industries like this that bothers me so much about the minister's statements on his priorities. I simply have to go back to them. In 1967, imports had 19 per cent of our domestic market. Ten years later it had 28.5 per cent. We're losing one per cent a year of our domestic market to imports. That's serious. You're telling me your thrust is exports. I'd like to know how that fits when you see the imports taking over an increasing proportion of our domestic market.

The deficit isn't with Taiwan and the Philippines. It's with the United States. Last year almost 75 per cent of the deficit was with the United States trade. It's a highly developed country. As an exporter we're weak. As an exporter too we're even behind the Netherlands and Belgium when it comes to the export of electrical products. There's obviously room there too. This is the kind of industry where you've got to develop that domestic market before you can crack the exports.

Mr. Hall: That's without the \$4.50 minimum wage too.

Mr. Laughren: If you think the electrical industry pays \$4 an hour wage, that shows what you know about the electrical industry. It's a highly skilled industry and the people in there earn decent wages, not the kind of wages that you would pay.

Mr. Hall: I appreciate that but they don't have the standards of life that we would—

Mr. Laughren: No, wait a minute now. We're talking about trade with the United States. That's the point you miss.

Mr. Hall: You mentioned the Netherlands and Germany and all those countries too.

Mr. Laughren: The Netherlands and Germany are not the underdeveloped world.

Mr. Hall: Neither is the United States and Canada.

Mr. Laughren: They're comparable. The sources of the weaknesses in the electrical products, there are a number of them, and I'd ask the minister first of all if he agrees that these are the problems. The first is that a lot of the industry consists of small companies which are branch plants. If we're going to develop the expertise for world markets they have to be bigger. They have to have larger scale.

Second, we don't meet the domestic demand, which is what I was talking about in terms of the imports taking an increasing share of the domestic market. Look at a country like France where they have an export surplus, and one of the reasons is they have a very strong domestic French industry in electrical products.

Third, we do not have an industry leader in electrical products which is showing the way in terms of research and development. That also flows from the foreign ownership of the industry and the small branch plant operation. We don't have an aggressive research and development company that's aggressive in either research and development or in exports, seeking out export markets.

When you combine that with the small scale of the operations in the province, it's one of the reasons we're having problems. We have all the traditional weaknesses in this industry of branch plants, from research and development to exports. I'm no expert on this, but I know we have fewer non-tariff barriers in this area as well. The government simply is going to have to move in on it.

I'd be interested in knowing what the minister intends to do. Maybe we could use the electrical products industry as a model, for example, in terms of his two-thrusted priorities program. Tell me how you're going to address yourself, using the electrical prod-

ucts industry as an example—we could use machinery, we could use textiles if you want, but electrical products is a very interesting industry.

I'd like to know how you see your programs of export stimulation and import replacement as coping with the problems in the electrical products industry in terms of research and development, in terms of export markets and in terms of getting our share of the domestic market and things like research and development and so forth, the problems I've outlined. I'll stop and let the minister answer.

Hon. Mr. Grossman: First, I agree with a lot of the points you're making in terms of the very real structural and other problems that are facing the electrical and electronics industry. On the other hand, when you talk about the lack of an industry leader, I think you'd be hard-pressed to find a better one than Northern Telecom. We do have an industry leader. Spar Aerospace is another one that is very successful and innovative. So I think of the problems you enumerated I would have to say to you that while I agree with some of them, I think we do have at least a bit of a window on that through some industry leaders.

May I say I can't resist pointing out to you that you did talk about domestic markets. You talk often about domestic markets and the importance of domestic markets to this particular industry. The last big disappointment we had was when the government of Manitoba bought some heavy turbines, generators, from, I think it was, the Russians—

Mr. Laughren: That's Rufus for you.

Hon. Mr. Grossman: —with a very small differential. I guess it was the government led by the Governor General-designate that did that. Would you disagree with that statement?

Mr. Laughren: I don't know who signed the contract. It may even have been Rufus. You could be right.

Hon. Mr. Grossman: I believe, and we'll find out—yes, I could be right.

Mr. Laughren: Then we'll talk about Ontario Hydro purchasing policies too.

Hon. Mr. Grossman: Let's get it on the record though the NDP government of Manitoba, talking about, as we are, the subject of domestic markets, chose to buy with a very small price differential, very important and heavy and expensive equipment from a foreign supplier rather than buy it from Ontario and the electronics industry.

Mr. Laughren: What have you done for Manitoba lately?

Hon. Mr. Grossman: It is shameful. I tell you, we have a 10 per cent government procurement policy for all Canadian products.

Mr. Laughren: What percentage?

Hon. Mr. Grossman: Ten per cent preferential policy. We'll pay up to 10 per cent more. If anyone in Manitoba wants to bid here in Ontario, we'll pay up to 10 per cent more rather than buy from the Russians. I only wish the socialist government of Manitoba had the same nationalistic attitude—

Mr. Laughren: They do.

Hon. Mr. Grossman: —to support the electronics industry that you are trying so hard to plead on behalf of.

Mr. Laughren: The electronics industry is in Ontario, Mr. Grossman.

Hon. Mr. Grossman: That's why the socialists in Manitoba ignored it. In any case, we won't ignore the electronics industry in Manitoba or anywhere else.

Mr. Laughren: You've got problems here.

Hon. Mr. Grossman: Having made that point as directly and as clearly as possible, I do want to say that particular industry is the first one of the industry sector groups and consultative groups the ministry commissioned a year ago. You'll be interested to know this really was the genesis of the 23 federal task forces which, as you'll recall, came out of the first ministers' conference last February at the suggestion of Ontario.

At the moment, we have major industry sector studies going on in the following groups—you don't have to write them down, they'll all be on Hansard—food and beverage, electrical products, chemicals and chemical products, transportation equipment, textiles, knitting mills, clothing, rubber and plastic products, machinery products, leather, paper and allied products, metal fabricating and non-metallic mineral products.

Mr. Laughren: Who's doing these?

Hon. Mr. Grossman: I'll tell you in a moment when we get to the electronics, but mostly they're being done in concert with industry and our ministry staff.

In a moment I'm going to ask Keith Revill from our industry sector policy branch to talk about the specific way in which it's done and who's participating so you'll know exactly where it's at now in terms of the electrical industry.

Those studies going on have been divided into sub-groups so we can deal with each particular sector within those sectors. In terms of the various sub-sectors, there are now some 108 studies going on. Some of them have been put to the back burner.

Mr. Laughren: One hundred and eight?

Hon. Mr. Grossman: One hundred and eight. That's taking those major groups. For example, in the food and beverage industry, rather than dealing with it as though there were the same problem in every industry, we've broken it down into 14 different sectors within that.

Mr. Laughren: I'm glad you're zeroing in. Boy, I'm glad you're not spreading yourself too thin.

Hon. Mr. Grossman: Would you have us ignore the food and beverage industry, Floyd?

Mr. Laughren: No, no, carry on.

[11:30]

Hon. Mr. Grossman: Would you have us ignore the non-metallic mineral products industry where we have 13 sub-groups going on. Those studies are going on. I can't give you a complete status report on them because some of them, as I say, have been withdrawn in favour of the 23 sectoral studies going on nationally.

With regard to electronics, for all the reasons you have pointed out—its importance, potential, and so on—that was the first one to get under way. That has continued and is still on. Our commitment was both financial and the time of our support staff. Keith Revill, who is sitting to the left of Mr. Wilson, is senior policy co-ordinator in the industry sector policy branch of the ministry, and is acting as secretary to that particular task force.

Mr. Laughren: On the electrical sector.

Hon. Mr. Grossman: Yes. Perhaps Mr. Revill will give you a status report on how it was composed and the work it did.

Mr. Laughren: Will he also be devising the double-barrelled thrust on stimulating exports and import replacement?

Hon. Mr. Grossman: He will be one of those advising us on that—as the deputy says, *inter alia*. That is a legal term which means, yes, we all work very hard.

Mr. Laughren: I see.

Hon. Mr. Grossman: That is some of my staff laughing in the background—some of my former staff. Mr. Revill, just give us an update on that.

Mr. Revill: Perhaps I should qualify myself in view of the fact that I have been with the ministry now for about a year and a half. Prior to that, since 1944, I was with the Canadian electronics industry, so I have some passing direct experience with the problems you are addressing.

Mr. Laughren: Thank God, you have private sector experience.

Hon. Mr. Grossman: Not like yourself.

Mr. Laughren: Oh, I have too, for many years.

Hon. Mr. Grossman: Really?

Mr. Laughren: In the retail industry. You should know that.

Hon. Mr. Grossman: What did you sell? Heavy electrical equipment to Manitoba?

Mr. Laughren: You name it and I can get it for you.

Mr. Revill: The concern was expressed a year ago by the Premier's advisory committee that a need existed for some dialogue on a formalized basis between government and industry. In selecting a group that would be a reasonable bellwether because of the factors which you have brought out this morning, the electrical-electronics sector was selected as the first group. I have participated in the initial formation of that committee and in its deliberations since that time. As the minister has told you, the concept antedated and was the root cause, I think, of the consultative process in Ottawa.

When the group was formed, we wanted to ensure that it had adequate representation from all the sectors so that all the points of view might be introduced. The makeup consists of three representatives from the electronic and electrical industry management, two members from the labour unions and one member from the industry association. I act as the secretary representing the government so that I can provide what input is required by the committee from the government's point of view and also be the vehicle by which their points of view are conveyed back again.

Before we began, we again followed an approach, which was adopted by the federal government, to analyse for internal purposes how we perceive the industry. Many of the points which you have brought out this morning were the items which we found. With my personal experience, it was a matter in many cases of restating information which I had personally experienced and perhaps might have been the cause of my joining the government, although that is a side-issue.

Mr. Laughren: It is an issue though.

Mr. Revill: I will leave that for the minister to defend.

Hon. Mr. Grossman: It's not a priority issue.

Mr. Revill: The concerns that we had, and I think the concerns the electrical and electronics industry has in Ontario, is the fact

that its formation was originally predicated on the basis of establishing branch plants in Canada. Most of them happen to be in Ontario. The problem which the industry faces is almost entirely based upon that problem, namely, the absence of a large research and development base because they have been reliant upon parent companies, and the fact that products which were produced here were produced on the assumption that we had high tariffs and low rates.

Those two conditions having gone, the industry is in the process of reforming. What we are trying to do is develop an approach which will assist it to reform on an intelligent basis. This will include stimulating research and development. It would include rationalization. It will inevitably involve, as you have already brought out, the fact that some industries close down.

For instance, the television receiver industry was one which one could argue had no justification here at all. It did nothing as far as basic development was concerned. It was a me-too organization and, like that type of organization, it has almost completely succumbed. It succumbed for good, solid economic reasons. That is not a very desirable thing to look at, but that is why it happened.

These are the things which we are concerned could occur in other segments of the industry. Yet we do have some bright spots. We have in Northern Telecom the largest single company in the electronics business, a company which is fifth on world scale, and we're within some pretty sizable competition. We're talking about people like Philips who are a monstrous, world-wide organization, and yet we are number five in that field. Why are we number five? Because of the fact we have done the right things in that organization. We have done research and development. We have done product development which puts us in the forefront of the world.

You talk about the French electronics industry. It is interesting to note the French telecommunication industry is a licensee of Northern Telecom because of the fact we have technology which they have to buy. These are the things which we are trying to do, and the way we do them is by discussing them with the industry people so that we don't implement policies in a vacuum, we implement those policies which hopefully reflect the needs, and sometimes the conflicting needs, of government and industry.

These are the things which are coming out of our deliberations. I sat on the task force in Ottawa and somebody said, "We don't have enough time." I said, "Gentle-

men, I appreciate the fact that we don't, but I have been in this industry for 30 years and some of the problems we are complaining about have existed for 30 years. So we are not going to cure them in 30 days or 30 weeks, but as long as we have a handle on them, I think we can cure them."

This is why this particular committee is of tremendous benefit. I have been very heartened to hear the union people say on many occasions—most recently at the last meeting, which was on December 6—that their people are starving for information. They didn't realize just what a bad plight the industry was in. This is a technique we are using, we are endeavouring to communicate the state of the industry to these individuals so that their responses are a little bit more in tune with the facts.

The minister touched upon the importation of heavy electrical equipment. We have a heavy electrical industry in Canada which could grow, yet there is no national loyalty. We have provincial preferences established which puts plants—Canada Wire and Cable, for instance, has plants in many provinces across the country. The president of that particular group is chairman of our committee. He comments quite frankly that the fragmentation of manufacturing is uneconomical, but has been forced upon them by provincial preference.

These are the things which we are attempting to identify and address. I can say that I don't think we should be offering any fast solutions because they are not today's problems, they are the manifestation of problems of 30 or 40 years. We are doing our best to identify them. That is what the process is endeavouring to do: to identify the problems, discuss them with industry, and implement intelligent government policies which will address them. Yes, replacing imports; yes, stimulating exports. Sometimes those two are in step, and sometimes, again, you have to come down on one side or the other.

You mentioned the fact that the American imports are the major cause of concern. That is certainly true. I think the number is something like 80 per cent at the present time, but it is shifting. It used to be about 95 per cent. The Far Eastern countries particularly are the major source of low-cost imports, particularly in the appliance field. Your own leader, I think, commented on that fact as far as imports of General Electric appliances.

These are the problems we face but with a 22 million or 23 million population we do not have a large base on which the research and development can be amortized. There-

fore, under those circumstances, we have to develop products on which we can concentrate. There is a great shift going to occur, and I am convinced that there will be further losses inevitable in that reorganization, but I like to think those losses will precede a strengthening and a growing of the industry, so that under the circumstances we will find ourselves some weeks, months and years down the road with a healthy electrical-electronics industry predicated on the new conditions, not predicated on the branch-plant philosophy which has existed for the last 75 years.

Mr. Laughren: Could I ask you one question? Are you not worried about what's happening at the GATT negotiations in terms of the electrical products industry, strictly in terms of what you said about the growing importation of low-cost electrical products from countries other than the United States? Do you have any sense of what is happening there and what we can do about it?

Hon. Mr. Grossman: The deputy and I are the persons who are most intimately aware of any particulars such as they are available at this time. I suppose to give you the best handle we can get on it, and have been given on it, the answer would be a mixed answer in these terms: there will likely be some opportunities and in other cases there will be some problems created. I have to tell you that; that's the situation. This is an industry which will be directly impacted by some of those changes—positively or negatively. So the answer is yes, I am concerned.

Mr. Laughren: If your concerns are realized, it probably is going to mean there will be an increase in imports, particularly from other than the US. That would be the normal conclusion, would it not?

Hon. Mr. Grossman: Of course.

Mr. Laughren: You are going to counter that with increased exports?

Hon. Mr. Grossman: That's one of the up sides of trying to negotiate a good deal. That's one of the things you have to do; it's of course not unique to the electronics industry. When the tariff barriers go, you also have the problem of pulling the branch plants back to the United States. In many cases the branch plants were built here to get over the tariff walls.

Mr. Laughren: If that happens, what is going to happen with the industry? Assuming the tariffs are reduced on electrical products, what happens?

Hon. Mr. Grossman: Let me respond in a more general way, because those problems are not unique to the electronics industry.

Mr. Laughren: I didn't say they were. We were talking about the electrical products industry; that's what we were talking about.

Hon. Mr. Grossman: As Keith has pointed out, some firms, I suppose, logically will be withdrawing. Other firms will have an opportunity to expand greatly. The adjustment paper—

Mr. Laughren: Wait a minute, before you go any further: if firms withdraw, presumably they will be ones that were producing and making products that would now be imported at a lower price. Is that right?

Hon. Mr. Grossman: Obviously.

Mr. Laughren: Logical conclusion, right? So you are saying that existing companies will expand in that particular area or in other areas?

Hon. Mr. Grossman: The answer is that you really have to break it down to the particular item or the particular plant involved. We don't know what the tariff changes are going to be, how they are going to be phased in, if it is over eight years, if it's over 10 years, if government can assist a firm in adapting slowly over a period of time to shift to the export market. This would in turn, as I indicated yesterday, in some cases make it better able to compete on a price basis in a domestic market. It's really hard to generalize on all of these things. The answer is, I suppose: some of those things are going to happen to some people.

I don't want to understate or overstate the case. You're going to have a mixture of all three things. Some people are going to be going out. Some people are going to profit tremendously and have a great opportunity. Some people are going to need all sorts of assistance to adjust and retool, stay in business but perhaps change their product, change their lines, change the structure of their business to cope with the domestic and foreign markets. In coping with the foreign markets in terms of productivity, that should make them better able to stay in business and serve the domestic market.

Mr. Laughren: But are the same companies in both aspects of the market? Are companies who are going to be really hurt by the reduction of tariff barriers the ones that can switch into other areas of specialization and perhaps at a larger scale?

Hon. Mr. Grossman: It is hard to know until we know which specific tariff—

Mr. Laughren: I suspect some people do know; it may not be you, in all due respect.

Hon. Mr. Grossman: Unless you have had something brown-bagged from Geneva—

Mr. Laughren: I'm not talking about the industry as it is structured in Ontario.
[11:45]

Hon. Mr. Grossman: I'm talking about the specific tariff changes. We are all speculating at this point in time. I am going to ask my deputy, Mr. Wilson, who has been overseeing the GATT negotiations particularly, and before he moved up to the deputy's position, to respond further.

Mr. Wilson: The answer to your last question, sir, is that there are a number of firms involved in a variety of businesses within the electrical and electronics industry. I can think of a firm, such as Canadian General Electric, which manufactures a wide range of products from heavy electrical equipment to electronics items. Within that firm, there may be some adjustment, as a result of tariff or nontariff barrier changes. There may be some areas within that firm that will see new opportunities. There will be some areas within the firm that will see problems. The firm, as a whole, may or may not benefit, again depending upon the specific tariff or nontariff barrier.

Mr. Laughren: But GE wouldn't be a good example to use, would it?

Mr. Wilson: There are a number of firms such as GE. Westinghouse is another example.

Mr. Laughren: No, from the industry; as an example of problems that will ensue. That's what I am asking.

Mr. Wilson: I think a large segment of employment in the industry, at the moment, is in firms that are large and varied in their activities, such as Westinghouse, Canadian General Electric. These firms traditionally have duplicated in Canada activities that they also carried out in other parts of the world, usually in their home markets.

Over time, a shift in their strategies is appearing which we think is of importance to Ontario. We think the opportunities that will arise out of the multilateral negotiations will help. That is: specializing on one segment of their business, perhaps worldwide, from a Canadian location rather than manufacturing a wide range of products which duplicate what is being done in the US. They would take one segment of their business, concentrate on that, do the research, the design, the management, the marketing world wide from a Canadian location—Ontario.

In that case, we would hope to see no adverse employment effects and, perhaps, over time, a stronger business with international capability which would ensure jobs and activity in Ontario.

I might also add that one of our key objectives which relates to this industry is the removal of certain nontariff barriers. These are far more important in certain segments of this industry than the tariffs are. That has to do with such things as: telecommunications equipment, heavy electrical equipment, where purchasing practices and policies on the part of certain countries and their agencies simply don't allow Canadian firms to penetrate those markets.

We had stated from the outset, in our discussions with the federal government, that this is a key access objective that we have for Ontario. If it's not realized, then it will significantly affect the deal or the bargain that is presented to Ontario in the end result. Certainly, nontariff measures in a number of electrical and electronics industry products are far more important. Through the task force, and in other consultative ways, the industry itself has been telling us about these kinds of problems. We have been pressing the federal government.

Mr. Laughren: Could I ask you about that task force? The ministry indicated that it was the task force that was receiving funding from the province, I believe. What was the funding form—travelling expenses?

Mr. Wilson: The task force has in its initial stages not requested financial assistance. They have reached a point now where they would like to do some further research which would involve contributions from non-government, noncaptive personnel in their own organizations. We have agreed jointly with labour organizations and the companies involved, to establish an initial fund of \$25,000 for the use of the committee. Our contribution will be less than half of that.

Mr. Laughren: I see. There is going to be \$25,000, of which you are going to kick in \$10,000 which is going to carry the committee from the point it's at now. Is that what you're saying?

Mr. Wilson: Yes. They have identified some work they would like to have done.

Mr. Laughren: I see. That's where the three groups are funding.

Mr. Wilson: Three groups are funding. There are two union groups involved as well as the company's representative—

Mr. Laughren: And the government.

Mr. Wilson: —and the government, jointly putting in some money. We felt and they felt this was the best way to go forward. It indicated not only a co-operative spirit, but it also put some bottom-line emphasis on it.

Mr. Laughren: When was that committee struck, last year?

Mr. Revill: It started in March.

Mr. Laughren: Have you done a report yet? Have you completed a report?

Mr. Wilson: There is a report which is about to be delivered and it will be publicly communicated.

Mr. Laughren: Are there specific recommendations in the report?

Mr. Revill: There will be.

Mr. Laughren: Will that go through to the minister?

Mr. Wilson: It will be presented, but it will also be made public.

Mr. Laughren: But it's not finished yet; is that what you're telling me?

Mr. Revill: It's in the process of refinement at the present time.

Mr. Laughren: Of refinement. It will go there and then it will be tabled, presumably.

Hon. Mr. Grossman: As always.

Mr. Laughren: "As always." That hurts.

Hon. Mr. Grossman: Open government.

Mr. Laughren: Okay, thank you, Mr. Chairman.

Hon. Mr. Grossman: What do you think of all that?

Mr. Laughren: I was very impressed with the directness of the response of your people. I think you should destroy that article I gave you this morning.

Hon. Mr. Grossman: I'll show it to them.

Mr. Revill: Mr. Minister, I should perhaps point out I've only been with the government for a year and a half and with industry for 30 years, so that may be why the direct responses.

Hon. Mr. Grossman: Me too. I've only been in government for a little while.

Mr. Laughren: You've learned quickly.

Hon. Mr. Grossman: But you support the process and think it's a good idea?

Mr. Laughren: Of looking at the industry? Oh yes, very much so. I just hope the recommendations will be direct and brutal.

Hon. Mr. Grossman: You can tell they will be.

Mr. Chairman: Thank you, Mr. Laughren. Mr. Hall, please.

Mr. Hall: Thank you, Mr. Chairman. I thought this time would never come.

Mr. Chairman: Neither did I.

Mr. Riddell: Let the record show that approximately two hours of the estimates time

were taken up by a dialogue between the NDP member and the minister.

Mr. Chairman: One hour and 43 minutes.

Mr. Eakins: The member was filling in for the member for Beaches-Woodbine who wasn't here.

An hon. member: How long are you going to be?

Mr. Eakins: Just take your time.

Mr. Hall: I'm not going to comment at length. I lack that particular ability of teachers and lawyers to build a mountain of fluff out of very little.

Hon. Mr. Grossman: Have you told Margaret Campbell that?

Mr. Hall: I have worked with the minister on previous committees and I could see him getting turned off very quickly by dialogues if they didn't focus his attention. I would think he would have some understanding of what it's like to sit out here, if his memory hasn't failed him.

As far as Mr. Laughren is concerned, you know, I like the guy. My daughter even likes him. If he wasn't such a flaming socialist we could probably have a decent talk once in a while, but the man, with his teaching background, just drones on and on and on.

Mr. Laughren: Don't abuse my private sector background, please.

Mr. Hall: I was housing critic for three years and I thought the sun had shone when Mr. Cassidy left that area of criticism, because he could sure take up the time. In rent review, we had a fellow named Warner who was unreal, and now we've got this fellow Floyd Laughren in Industry and Tourism.

Mr. Laughren: Yesterday you guys talked for two hours and now you're complaining this morning.

Hon. Mr. Grossman: He said you were a nice guy.

Mr. Chairman: Mr. Laughren, I would just like to remind you that, during the Ministry of Labour estimates, your party took up a ratio of about five to one in time.

Mr. Laughren: That's why we're here.

Mr. Chairman: No, but in all fairness to the other parties, your party monopolized every estimates we have had so far. I've kept a pretty close record of all this.

Mr. Laughren: On a point or order, Mr. Chairman.

Mr. Chairman: On a point of order, go ahead.

Mr. Laughren: Last night from 8 to 10 o'clock, the Liberals had the floor and we had it from 10 to 10:30. I see nothing wrong with going from 10 to 12 this morning.

Mr. Chairman: That is the first time they have had a little more time than the NDP. On all other occasions, let me remind you, your ratio has been running about four to one.

Mr. Laughren: Mr. Chairman, I detect an unwarranted bias on your part.

Mr. Chairman: It's not an unwarranted bias; I'm just stating facts.

Ms. Bryden: Each estimate should be taken on its own merits.

Mr. Chairman: Not on its merits. I think we should go along with the guidelines that have been set out just recently that every party should have equal time. If you don't use the time, we'll have music.

Mr. Laughren: Your biases are showing. You're a silly man.

Mr. Chairman: That is your opinion.

Mr. Laughren: Yes, it is.

Mr. Hall: Part of the reason I'm not going to comment at length is that as politicians we all must be generalists. I find that in the circumstances I can't be a specialist in every field. As a new critic, I don't pretend to see clear-cut answers for a lot of the specific areas your people have been spending all their time concentrating on. Unlike others, I just can't pretend to know it all in so many different fields.

However, I'll tell you candidly that my whole background all my working life has been free enterprise and small business.

Mr. Laughren: Which ended two years ago.

Mr. Hall: It ended, but I think I've done my time. I'll ignore your comments because, despite it all, I still do like you. I'm trying to hang on to that thought.

Hon. Mr. Grossman: The chairman likes you too.

Mr. Laughren: What did I do to deserve this? I detest all of you.

Mr. Hall: As our society gets more complicated in terms of economics, social welfare and what have you, obviously government has got involved—in many instances, I think unwisely and unnecessarily. However, this particular ministry does have a positive role that it can play and, for that reason, I look forward to studying it and working in this area of government.

There are some specifics I wonder about. There has been some mention of our problems of imports and exports and the circumstances of the GATT negotiations. I want to ask at this stage does your ministry really have any say in what's going to happen there? It seems to me that your input has been made to the negotiators in Ottawa who, in turn, decided on which items they would negotiate and as representatives of Canada as a whole, they are trying to do their best. It would be my understanding that essentially what you will have to do is maybe a lot of praying, but also be ready to adjust to the different circumstances that will flow out of GATT.

Maybe I'm wrong, but the statistics I recently heard indicated that in a country like Canada something like 64 per cent of the dollar value of imports came into the country duty free, whereas in a controlled economy, such as the nation of Japan, I understand that something like two per cent comes in duty free.

I have to share the concern of the member for Nickel Belt about the thrust for exports. I think you're both playing on words to talk about first priority and second priority.

Mr. Laughren: There certainly is.

Mr. Hall: There is very rarely a clear-cut identification of one problem over all other problems. There are many problems. On the subject of imports, I feel very strongly that Ontario, if not Canada, is going to have to consider many forms of nontariff barriers and seasonal quotas and what have you to the extent they can be worked to protect our industry. Part of the reason, in my view, obviously, is because we have been a progressive nation and have offered many forms of social welfare.

In good times it's easy to do this, but when times get difficult the shoe pinches. We're now paying—temporarily, I hope—a price for previous sophisticated social welfare steps that were taken. I don't regret them, but I think there has to be a timing with all these things. That does not necessarily take place in Canada or Ontario or any other country. There is always a problem of balance.

I am interested in the cash incentive concept which seems to have come up so quickly in Ontario outside DREE areas. Some statements made by your deputy took me by surprise. I'm not saying I want to fault them right now. I feel there should possibly be a much better dialogue on this matter. I see the need for some very clear guidelines because in the absence of a firm statement of government intentions, the potential for misunderstanding could very easily produce

negative results. Instead of having carrots to use within the limitations of our funding, we may be finding companies holding back, waiting for that carrot; and this would negate what you're trying to achieve.

[12:00]

I understand that your policy and priorities people have been studying the cost of government regulation. I would like the minister to comment on the status of that study. As he knows, it's identified as one of the larger problems we face. We finally are at the point where we have to address ourselves to a lot of things which, in a buoyant economy when everything was going great, we maybe didn't worry too much about. Now we're having to hunt all over the place to find improvements, and this is certainly one of them.

I would also like to understand a little more, as we go along, your concept of encouraging mergers of companies that are uneconomically small. Definition of terms is important, for one thing, but too often in the past merger has ended up meaning a sellout to a foreign-owned operation. That's not necessarily a progressive step, in my view. Without wanting to make a big deal out of it, Mr. Wilson obviously has identified some difficulties with that sort of thing, because he said in a recent speech that 60 per cent of Canadian manufacturing is foreign-owned and the difficulty of domestic rationalization strategy running afoul of US anti-trust legislation would be important.

Whether in the estimates or at other times, I would like to find out from your staff and from you, Mr. Minister, what techniques you're using to try to improve the interworking with other ministries in this government. As a case in point, I think it was the Treasurer who announced the concept of a \$100 million incentive to the pulp and paper industry to adopt pollution cleanup measures on a 1:3 or a 1:4 ratio. This obviously affects the Ministry of the Environment. It should affect industry here in the sense of making certain that the money is directed in a way that will help the goals of your ministry.

I would like to think there's room for a much more integrated approach. I think an integrated approach should be used before the act and not by patchwork and regulation after the act. If you follow what I'm trying to say there, I think that when a proposal is put forth it should embrace all the goals you wish to achieve. Once you've given out the carrot, it's something less than satisfactory to come back later with new goals that you're putting on to the program.

Too often, it's been my experience in other fields of contact with government that in this whole matter of interworking with other ministries the applicant is the expeditor. I'm sure this takes place in many respects with business.

We had some dialogue earlier this morning about the point of view of your ministry and what your responsibility is as opposed to Mr. Laughren's comments on Mr. Elgie's view of what Labour should be doing, for example. If you want to get into the subject matter, housing is a classic example of a need for the applicant to approach everybody and his brother, and to do it almost singlehandedly, to make something happen.

Without wanting to turn this into a housing forum, I'm sure you will recognize that housing and construction is also one of the industries we do have to concern ourselves about.

I noticed in the latest issue of the provincial auditor's report for the budget period ending March 1978 that you spent 25.3 per cent of your budget in the last month of the calendar year. Eight per cent of this, or some \$4.3 million, I'm given to understand, was write-offs of loans by the three development corporations. Trying to keep it to the policy and priorities section, surely it's not a policy to have to spend this kind of money.

The invidious thought that comes to mind, that you're spending to protect your budget for the next year, I would think you would fight yourself. I would hope you might be able to comment on that for me.

Mr. Minister, those are a few of the things that I'm concerned about. I would appreciate it if you would make a few comments on that at this time. Otherwise, I'm going to go vote by vote.

Hon. Mr. Grossman: First with regard to the GATT negotiations, obviously when there are negotiations going on among the super powers—Japan, the United States, the European community—the needs and wants of the province of Ontario or the provinces of Alberta or Nova Scotia, for that matter, are difficult and they're not specifically put on the table because all of us aren't at the table.

On the other hand, I do have to say that one of the first things I did after I got this job was spend an evening in Ottawa with Jake Warren, the Canadian co-ordinator, and some of his senior staff, in order to get full background on it. Mr. Warren at that time did compliment the extent to which the Ontario government had been concerned, had

played a role, had understood the problems and potential problems and had attempted to address them.

We all know the problems in relying upon a national government—and I want to be fair—of whatever stripe to have sufficient intimate knowledge of the particular problems in the economies of each province to be able to adequately represent their views and concerns on a macro basis in a situation such as the multilateral trade negotiations.

Therefore, it becomes very important, particularly in a country which has such diverse and different structural problems and concerns as Canada, to have direct provincial input directly to the federal negotiators. The federal negotiators have been most receptive and helpful and I believe have done a very good job of carrying forward Ontario's concerns. Everything we hear back from them is very supportive. Indeed, some of them—I won't name names—have indicated a wish that others had participated to the degree that Ontario had participated in terms of articulating—

Mr. Hall: Those desires, those thrusts from Ontario would have been put to the federal government and the negotiators two years ago.

Hon. Mr. Grossman: I'm going to ask Mr. Wilson, who has been co-ordinating the GATT situation for us, to expand in just a moment. I just wanted to say from my particular perspective that when we then took two or three days to go over to Geneva a few weeks ago and spend a fair amount of time with not only the top Canadian negotiators, the top three or four right on the site there, in Geneva, but as well—

Mr. Hall: You even went Grey Cup weekend, didn't you?

Hon. Mr. Grossman: No. I think it was the weekend before. We spent time not only with them, but with the number two American negotiator and I guess it was the assistant deputy director of GATT, the overall co-ordinator. We had an opportunity to spend some time with them, meet with them, have lunch with them, exchange views and really get an in-depth feeling for what was happening.

I can tell you about one particular thing that happened to occur at that time. We had an opportunity to put forward a couple of particular concerns that we had, one of them being urban transportation vehicles, and emphasize to those people the particular importance of that particular item in terms of nontariff barriers in the United States. Their Surface Transportation Act has just gone through. Who knows whether that will provide the opportunity to address the specific

importance of that specific item, how important that will have turned out to be or how effective in the long term? I don't pretend that it moved the entire GATT negotiations.

We're talking about something that is enormous. We're talking about an enormous range of items throughout the world. I was surprised to find out that these negotiations get down at some stage or other—and this is why it takes five years—to very narrow and specific items. It's very much the process of negotiation which is sometimes the luck of the draw. Sometimes it depends upon having a clever negotiator as to when you make that approach, when you play that card, how important that is and whether you have to trade it off against something else.

I just wanted to point out the importance of our participation and the extent of our participation. You asked, does it have any effect. I don't know, except that there were a lot of ears turned up and listening to the very direct pleas we made on behalf of that particular segment of the electronics industry which we were talking about earlier. Those are particular things in terms of some particular access we wanted to the American markets, emphasizing to them that the situation Ontario is in with its manufacturing sector as large as it is going to take a lot of explaining, and a lot of communication is necessary with its manufacturing sector. Some of the upside, some of the positive things may come out of it and how important those particular positives are.

You never know whether that's played a role or not but I was happy that we had the opportunity to do that. Mr. Wilson will take a couple of minutes to explain to you the details of the points of contact and so on in terms of GATT.

Mr. Wilson: As you're probably aware, this negotiation is the first time that the provinces have really been actively consulted. All previous negotiations were handled very much by a very small group in Ottawa.

Mr. Hall: When did the consultations start?

Mr. Wilson: The first contact would go back to about 1974. There were meetings among officials to get a fix on what the scope of the negotiation might be. The first job in negotiations is to try to map out what they were going to attempt to come to an agreement on. As you know, this round for the first time included nontariff barriers as well as tariffs. Previous rounds had concentrated almost exclusively on tariff negotiations.

Mr. Hall: Is it fair to say that the whole thrust is tariff reduction as well?

Mr. Wilson: I would say it's an important part of this negotiation but not by all means.

Mr. Hall: Not necessarily on Canada's part, but the spirit of the GATT talks in this round.

Mr. Wilson: I think the deal that is being sought this time around—and the US has been the spearhead in terms of requesting the scope of the deal—is much broader than just industrial tariffs. It includes the agriculture question, which is very important to both the US and Canada, particularly the European market and the nontariff measures and subsidies that preclude trade prospects there. It includes nontariff measures, areas such as subsidies and countervail, government procurement, custom evaluation.

All of these issues which affect trade as nontariff measures are equally important in US minds as an objective in the negotiations. The deal this time was to encompass tariffs, nontariff measures, and agriculture. This government monitored the early progress, which was not very apparent in the negotiations during the period of 1974, 1975 and 1976. There was an initial submission on the part of this government, I believe in 1975, which staked out Ontario's general areas of concern and interest. All communication, by the way, between the federal and provincial governments on this is considered confidential for obvious reasons. In order to build a bridge and to be able to comment meaningfully on behalf of Ontario through the federal government, it would be impossible to do that in a public way.

[12:15]

Mr. Hall: Was this done ministry by ministry or was there an integrated, co-ordinated "all Ontario ministries" coming together to make one thrust through a pipe?

Mr. Wilson: There was an interministerial committee. There has been from the early days of the negotiation. It has been chaired by the Ministry of Industry and Tourism in the latter stages of our detailed submission to the federal government. This was made in November of last year; just over a year ago. That committee was chaired at the deputy ministerial level and representatives from the Treasury, from Natural Resources, from Agriculture and Food, the Resources Development policy field, and Labour were all represented. The paper, which was forwarded to Ottawa, was passed through a committee of ministers.

Just going on about the early stages of the communication, the negotiation really didn't begin to take off until about summer 1977. In other words, there was a period of about

three years where there was a lot of dancing around. Of course, it was a difficult three years for the international economy, with the oil crisis in 1973, and the post-oil crisis effects on world trade and on growth in a number of countries. Consequently, in the period 1975-76, there was somewhat less enthusiasm for a substantial negotiation than had originally been envisaged in 1973, when the Tokyo round was open.

Jake Warren, for example, was appointed co-ordinator of the Canadian effort in summer 1977. That really marked the concentrated phase of the development of a Canadian position. At the same time, as I say, we had a very active interministerial committee working. The results of that committee emerged as a detailed report which was forwarded to Ottawa in November 1977.

That corresponded quite well with the progress that was being made in Ottawa in developing the Canadian position, so our input was timely. In other words, they had not as yet staked out their major areas of concern or their major objectives. Consequently, we were able, I think, to have a significant input into the development of their thinking.

Following that submission, senior officials from this government met with Jake Warren and the senior officials in Ottawa and had a detailed discussion of our submission. That submission, by the way, pointed out both sides of the negotiations: Ontario's objectives, in terms of improved opportunities for our exporters. It also pointed out areas of concern where lower tariffs or nontariff-measure changes on the part of Canada would affect employment, we felt, in the province of Ontario.

We carried out a detailed study in that regard and we submitted to Ottawa, on a confidential basis, a list of industries which we felt were import vulnerable. That is, those industries where there would likely be adverse employment effects as a result of tariff changes of the magnitude that were being proposed. This was the so-called Swiss formula reduction of roughly 40 per cent.

Mr. Hall: Did you put notice beside them or did you prioritize them as soon as you did that?

Mr. Laughren: How much would they hurt? You have to get into that, don't you?

Mr. Hall: They would have a priority—

Mr. Wilson: It's very difficult to predict precisely what's going to happen, as a result of the tariff change, in a world where currency changes are far greater, for example, than tariff changes. The tariff movement in

the bulk of our manufactured products might be from, say, 15 to 17 per cent now to maybe 12 per cent after negotiation—a change of roughly five percentage points. We've already had an exchange change of roughly 15 per cent which has had a significant impact on the competitiveness of a number of products internationally.

So it's very difficult to predict, as a result of tariff changes alone, what's likely to happen. We can however, identify those industries which are import sensitive; where there is significant import competition already existing; and where a tariff reduction is likely only to intensify that competition. Hence, we established a list of industries and, from that list of industries, a list of tariff items which were really Ontario's recommendation for exception from the negotiations. Every country had established an exceptions list, those industries which they did not want to put on the table, those tariff items.

Mr. Hall: What I was asking though, Mr. Wilson, without revealing confidential information, is, would you in the preparation be listing the order of magnitude of adverse effect or positive effect and therefore identifying them in that way? Would you not have to do that? You would have to be more concerned about 9,000 jobs than 400 jobs.

Mr. Wilson: Exactly. That's exactly what we did. We said here are the industries by employment; in other words ranking them by numbers of people involved that are likely to be affected, and as a result of that, obviously an industry employing 40,000 people is of greater concern than an industry employing 400 people.

Following our detailed submission to Ottawa and our discussions with the federal negotiating team in Ottawa, we took the next step of discussing with cabinet ministers from Ontario, that is federal government cabinet ministers representing Ontario ridings in the Liberal government in Ottawa, our perspective of Ontario's concerns in the negotiation. I think this was a particularly useful consultation because a number of the Ontario cabinet ministers in the federal government hadn't really had an analysis done for them of the likely impact back here in Ontario, their ridings, their constituencies, of changes that might be coming about under the MTN.

I say that was a useful consultation because Warren was also involved in that consultation. It was not a hotel room situation. It was a very open presentation of Ontario's concerns by this government to a group of Liberal cabinet ministers with Jake Warren in attendance, so there was an opportunity for him to enter the dialogue and indicate

where he didn't agree with Ontario's assessment or where he had alternative objectives in mind.

However, as a result of the detailed work that we did, the inputs about a year ago that we had, I think we were able to develop a more substantial basis of consultation with the federal government. In other words, the federal team recognized that we had done a lot of homework on the likely impact of the outcome of the MTN and consequently we were able to elicit from them a little better co-operation and consultation in the ongoing development of the Canadian position.

They did have confidential consultations with us as a result on about eight or nine industries which we had identified as of key importance to Ontario. They asked us for our detailed comments as we saw it on those industries. I don't think that would have come about had we not done the homework we did and had the initial input we had with the federal government.

I know they have also this time around consulted a number of industry associations and industry groups, again in large part because these groups have done their homework. The Chemical Producers Association, for example, is a prime example of an industry where a detailed position, tariff item by tariff item, was developed by the association and as a result Ottawa has responded in dealing with them, coming back to them on a confidential basis again on specific items. They have actually sworn to secrecy industry representatives and labour representatives in developing their position.

Mr. Hall: Just in passing, in this context, agriculture would not be treated as an industry?

Mr. Wilson: Agriculture is not an industry in the context of the tariff negotiations per se. It's an aside. There's a separate group working on agricultural tariff and nontariff measures. That group, by the way, has not made very much progress. In fact, you have probably seen the press reports on breakdowns in the wheat agreement talks and some of the other sub-groups that are formed under dairy products and meat products and so on that haven't made as much progress as was hoped.

We have also in our consultations made regular visits to Geneva. The minister spoke of the most recent one, but under the Honourable Claude Bennett and the Honourable John Rhodes we also had ministerial as well as official-level visits to Geneva to discuss with Rod Grey, the Canadian ambassador in Geneva, our detailed concerns. This was done with the blessing of Ottawa. Jake Warren

found no difficulty in us presenting our case first-hand to people in Geneva so we have had detailed followup with Geneva throughout the negotiations.

I might add that two other provinces have been very active in consultation with the federal government in the GATT negotiations; one is Quebec, the other is Alberta. Both have developed detailed positions and have had ongoing discussions with the federal government. The Atlantic provinces have had a specific objective and have voiced that publicly as well as in consultations. It is much easier for them to state their position to Ottawa—they are very interested in more access on fish products for example—than it is for us to discuss publicly our views and concerns. In our case there is obviously a mixture of opportunities and challenges in whatever the deal is. We hope there will be more opportunities than challenges. We were discussing with ministers in Ottawa at one point the development of Ottawa's trade negotiation efforts—

Mr. Hall: You can substitute the word "problems" for "challenges."

Mr. Wilson: Yes, indeed.

Canada's trade policy historically was developed by a very small group in Ottawa. There was one man who for a number of years was instrumental in determining the nature of Canadian trade policy, a man called Hector McKinnon who was chairman of the tariff board. Someone asked him one time: "How do you prepare for a trade negotiation, Mr. McKinnon?" He said: "I always start by writing the press release. In other words I want to see what it is I am going to have to bring back and sell at home before I begin to sit down and map out my negotiating strategy."

Our position to Ottawa as well as Geneva from day one has been, how are you going to write the press release for Ontario? That's going to be a very important component for the outcome of the negotiations. But I think I can say that our discussions with Ottawa have been very close, frank, as open as Ottawa could possibly be. We are as open as we can be with them. My latest communication with Jake Warren was this morning before this committee meeting. We are regularly in touch on items that are of developing interest to Ontario.

Mr. Hall: And when are you going to get the answers?

Mr. Wilson: We will all get the answers when what's called a "substantive agreement" is reached. The hope was that such an agreement might be reached before Christmas.

There is some discussion now that the agreement might be more in outline form and there will be some negotiating going on into the new year before the outlines of the agreement will be made public. We will have no earlier advance warning of what that agreement will be. In fact we may all read about it when Mr. Strauss presents it to Congress. This is the first formal act that has to be gone through in order to get approval. That is expected to be early in the new year.

Mr. Hall: I appreciate your taking the time to outline a little bit of the background of the input that's been made and what the method has been. I think it's valuable to have a better understanding of that. To be candid, Mr. Minister, I get a little upset by

the Minister of Agriculture, for example, saying: "If only Ottawa would give us better tariff protection on some of these small tender fruits" or what have you. He's misleading us all to pretend it's that easy to do or that the thrust doesn't also have to come from Ontario to ask Ottawa. We have to tell Ottawa where we are prepared to trade off. I wanted, in this ministry, to get a better understanding of what your approach is and I thank you for outlining those items.

I notice it is almost quitting time, is it not, for now? I hope you will get on to these other answers that I have raised immediately after we resume.

The committee recessed at 12:29 p.m.

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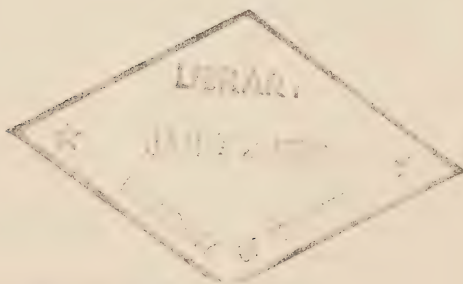
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Legislature of Ontario Debates

Official Report (Hansard) Daily Edition

Resources Development Committee

Estimates, Ministry of Industry and Tourism



Second Session, 31st Parliament

Wednesday, December 13, 1978

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

WEDNESDAY, DECEMBER 13, 1978

The committee resumed at 3:42 p.m.

ESTIMATES, MINISTRY OF
INDUSTRY AND TOURISM
(continued)

Mr. Chairman: We now have a quorum. When we adjourned at 12:30 p.m. we were still on vote 2202; policy and priorities program. Mr. Hall had the floor.

Mr. Laughren: On a point of order, Mr. Chairman: This morning we were talking about some of the sectoral task forces that have been set up, and for some light noon-time reading I browsed through the federal task force on the Canadian tourism industry. I noticed one of the members is Mr. F. J. Boyer. I wondered whether or not the minister was aware of all the content of the task force or to what extent he was aware of it. Perhaps I could quote you one line just to see whether or not this is the thinking of this ministry—

Mr. Hall: How is that a point of order?

Mr. Laughren: Can I finish my point of order? How do you know until I—

An hon. member: It's vote 2204.

Mr. Chairman: That's right, it is vote 2204.

Mr. Laughren: How do you know until I get through my point of order what it is?

Mr. Hall: I am suspicious of you.

Hon. Mr. Grossman: You can send the book over to me now.

Mr. Laughren: Am I not allowed to finish my point of order?

Mr. Chairman: I would also like to state for the record that Mr. Breaugh is substituting for Mr. Wildman.

Mr. Laughren: May I finish my point of order, Mr. Chairman? Why be so petty?

Mr. Chairman: I think you are sort of out of order on that point of order.

Mr. Laughren: Well let me finish so you can hear it.

Mr. Riddell: State your point of order. It is no use reading the article.

Mr. Laughren: If you would let me make my point you could then rule on it, Mr. Chairman. May I continue?

I quote from page 14 of the task force: "The task force further believes that the present scales of unemployment insurance benefits and social welfare payments sap the general desire to work. It offers as supporting evidence that significant staff vacancies exist in tourism and other industry sectors despite high unemployment. It recommends that a thorough review of unemployment insurance benefits and the scale of welfare payments be undertaken relative to employment appropriately remunerated."

That is the view of the task force, and I didn't see a dissenting opinion in here from Ontario. I wondered whether or not that really does represent the views of this ministry?

Hon. Mr. Grossman: When we get to the proper item I would be happy to—

Mr. Laughren: You are not prepared to answer it now?

Hon. Mr. Grossman: I am always prepared. I am in the chairman's hands.

Mr. Chairman: I think we will leave that until 2204, under tourism development program. Thank you very much, Mr. Laughren.

Mr. Breaugh will be substituting for Mr. Mackenzie, as I attempted—I thought Mr. di Santo wasn't coming in so we had Mr. Breaugh lined up to sub for Mr. di Santo.

[3:45]

Ms. Bryden: Mr. Chairman, this is the second last meeting of this committee, I understand. I think it would be very desirable if we could finalize today the dates when the committee will sit in January and February. I have talked to several members of the committee, not all but as many as possible. There seems to be a consensus that we should meet the week of January 22 for the whole week; the week of February 5 for the whole week; and hold the week of February 12 open for a further week of sittings if necessary. I would like to move that proposal.

Mr. Chairman: Ms. Bryden, I think we are waiting for reports from the Liberal members, and also from myself. My secretary is in the process of phoning the members of the Conservative caucus to find out whether those days are acceptable. They are exactly the days you mentioned.

Ms. Bryden: I had spoken to Mr. Gaunt and he is certainly agreeable to them.

Mr. Hall: Mr. Gaunt is not even on the committee, Ms. Bryden.

Ms. Bryden: I realize that, but he would of course be substituting for the environmental part of those hearings. I imagine most of those two weeks will be on the environmental referrals.

Mr. Hall: We will get back to you, Mr. Chairman.

Mr. Chairman: I think, Ms. Bryden, we had better leave this until tomorrow night when we have a definite commitment from all three parties.

Ms. Bryden: Do you think it might be possible to finalize it today? I think quite a few members will not be here tomorrow night.

Mr. Chairman: We can't finalize it unless we get the opinion of the other two parties.

Hon. Mr. Grossman: Why wouldn't they be here tomorrow night?

Mr. Chairman: We have to get their approval regarding the dates. There is no point in holding the hearings if we are not going to get a full turnout.

Ms. Bryden: You may have word by this afternoon. We might be able to finalize it at 4:30 p.m.

Mr. Chairman: It all depends on Mr. Hall and whether or not his party has a final commitment from its members who are on our committee; and also our own caucus members who are on the committee.

Ms. Bryden: We might see if we have word by 4:30 p.m. and perhaps finalize it then.

On vote 2202, policy and priority program:

Mr. Hall: Mr. Chairman, I am sitting back anxiously awaiting answers to the several points I raised with the minister. I know he wants to share his thoughts with me.

Hon. Mr. Grossman: I trust that we have dealt with the GATT questions you raised. Tomorrow in the House I will be making a rather substantial and lengthy statement on GATT, that is, to the extent to which we are in a position to respond.

Mr. Hall has raised an issue which his leader also raises from time to time; that is the question of raising new non-tariff barriers, NTBs, in this province. I must say that I think this is really out of step with the general trend of the GATT negotiations as the deputy and I outlined them this

morning. We are in a situation where some of the major opportunities for us lie in the hope of removing some non-tariff barriers in countries like the United States.

Some of the most serious matters affecting us, of course, are not tariffs but non-tariff barriers. To take one or two examples: We have been talking about the electronics industry; the heavy electronic equipment industry suffered because another province in this very country in essence adopted something pretty close to a non-tariff barrier. That province just was not willing to participate in what I suppose is a flip side of that issue, that is government procurement in terms of something more positive, which was to shop or buy Canadian.

Mr. Hall: I don't wish to interject in the manner the socialist member did this morning and on earlier occasions, but are you saying you feel essentially that Ontario's goal should be, in essence, free trade and that these barriers should not exist?

Hon. Mr. Grossman: I think we have made it quite clear that the trend towards free trade is one which in the long run, will be healthier for the province of Ontario if government and the private sector responded appropriately.

Mr. Hall: Have you reasoned evidence that this is the case?

Hon. Mr. Grossman: I believe we should be able to put that argument together for you; it would be entirely—

Mr. Hall: Would that be part of the statement that you are going to make in regard to GATT, the one you promised us last night?

Hon. Mr. Grossman: We are going to update the status on GATT negotiations.

Mr. Hall: You're not going to get into a philosophical attitude on this matter of imports then?

Hon. Mr. Grossman: We will do that if we have to right now, or tomorrow or whatever. Can I make this point? The basic decision to be made is, are you going to simply satisfy yourself with domestic markets and try to develop them as fully as you can, or are you going to do what we would do and that is to look as well outside the borders of Ontario and Canada, with our 22 million population, and try and get access to other new markets. You talk about access to the United States market, 230 million people, and the Japanese market, where there is another 110 million people. But I think going no further than just counting heads in terms of market opportunities one would

have to conclude that Ontario would be cutting its nose off to spite its face if we said we think we'll prematurely go against the trend of GATT and raise non-tariff barriers to prohibit the Japanese from getting into microphones or whatever.

Mr. Laughren: As Lyndon Johnson would say: "Throw out the baby with the dish-water."

Hon. Mr. Grossman: Because what that brings with it, quite seriously—

Mr. Chairman: That's under Health, by the way.

Hon. Mr. Grossman: —is having those foreign markets closed off to those manufacturing industries in Ontario which very much need access to those markets in order to develop.

We hear so much about productivity and that being a problem. To clarify the point, it's always been my view—and I want Mr. Laughren to listen at this point—that productivity is not simply a function of the worker, the labourer in this country. That's unfair. It's much more a function of the structural problems that we face here, such as under-specialization, assembly lines that are producing too many different items instead of long runs of fewer items. This goes to the merger question which we'll deal with in a moment. The only way you can increase your productivity is if you're making many items of the same product, of the same design, and that is a problem when you're dealing with simply the domestic market.

On the other hand, when you have an opportunity to begin to make chairs, scissors, or microphones for a market comprising, to take United States and Japan, 300 million people, then you're talking about a situation in which you could well set up a manufacturing opportunity to be much more productive, to specialize in a certain number of items which we can produce well and thus lower your costs.

Mr. Hall: That's right, and even the electronics industry is all in Japan now, with the exception of Sony, I believe, which is the only one which is back in the United States.

I don't mean to interject, and I'll try not to, but there is no set policy here which says that the Liberals or my leader would focus only on a domestic market. The responsibility that you have and the challenge that we all face, and my concern, is not to make many guesses as to what we do. It's so important that we've got to do the right thing on this matter of industrial strategy and what markets are, indeed, attainable to us.

For that reason, whatever is done, I think it should be very clearly outlined as to its basis and its economic concepts and whether, indeed, it's a sound policy. We can't have much room for guesswork at this stage in Ontario's industrial development. I don't mean to propose one or the other or suggest that you're backed into a corner, but I sure as heck hope that whatever the approach is it's going to be fast and it's going to be as correct as possible with the least guesswork possible.

Hon. Mr. Grossman: That, obviously, would be the thing, and that is what our adjustment paper was all about and everything we've been saying at the first ministers' conference. On the other hand, your party is taking the position that we should now talk about raising new non-tariff barriers in the province of Ontario. Mr. Hall, I have to say to you quite simply, that Japan is probably not going to roll over and play dead if Ontario raises non-tariff barriers and says we are going to try and protect a somewhat inefficient industry. I'm not naming any, but there are some in Ontario. Therefore, if we're going to raise some new non-tariff barriers, we would be saying that at the precise point in time at which our negotiators, and what is more important together with the American negotiators, are trying to open up doors we've been trying to open up for very many years in Japan. In some cases these are agricultural opportunities in the Japanese markets.

I have to say while every country in the world is dealing on this basis, for one province in one country to begin to say we're going to suddenly start to build up new walls and new barriers will hardly help our bargaining position we were talking about this morning in terms of getting the best deal for Ontario.

For example, and I do want to take another example, there are parties in the assembly which from time to time have been known to criticize UTDC and the difficulties it's had in marketing its products. I have to tell you one of the major difficulties in that is the new United States Surface Transportation Act, which in simple terms says the federal government of the United States will assist construction of rapid transit facilities only if everything purchased for that project is pursuant to a buy-American policy. In simple terms, if you want federal money in the United States you would have to create a non-tariff barrier, you would have to buy American.

Mr. Hall: When did this come into effect?

Hon. Mr. Grossman: It has been passed just recently.

Mr. Hall: So that's how much they think of the Tokyo Round?

Hon. Mr. Grossman: The fact is that is one of the things on the table right now.

All I want to say at this point is I would have hoped a more enlightened view would have been that the future for Ontario is to try and get access to those markets by having things such as that changed and getting exemptions to that act. I want to indicate to you quite directly that one of the things that has been asked for is certain specified exemptions from that particular piece of legislation.

We are not suggesting, and let me make it quite clear, that we should be boy scouts and just stay out of the whole non-tariff game. All we're saying at this particular time is the largest opportunities for a country of 22 million people is to participate fully in an era and a series of negotiations in which what is really being attempted is the restructuring of the international trading scheme to strike a fair deal in the area of reducing trade barriers.

On balance, we have concluded that reducing trade barriers will operate to Ontario's long-term benefit. Tariff and non-tariff barriers have been traditional things used to protect inefficient—dare I say it?—government-run and socialized industries where they have trouble competing and they're trying to do things other than or greater than produce a profit in that industry, are trying to achieve some other goals. The only way an industry such as that can survive is by creating a tariff or non-tariff barrier around that industry. That produces a lot of things, not the least of which is inefficient industries which produce higher prices and produce not a sufficient range of goods to satisfy your domestic market.

It's very difficult to generalize in this area, but I do want to put it so it's quite clear, I think at this point in time we should be addressing ourselves to fully participating, and we are fully participating, in trying to get access in the larger markets that are being negotiated in Geneva. We should not, at this point in time, be talking about ways in which we can draw up new protective barriers to protect the inefficiencies and the structural problems that are built into our domestic market.

Mr. Hall: I think we can afford to talk about it here. With the number of people at those meetings who read Hansard I don't think our comments are going to be spread around the world too far. We have to discuss them, it seems to me, they won't go away.

Hon. Mr. Grossman: I suspect Hansard will not end up in Geneva.

[4:00]

Mr. Hall: I bet your wife doesn't even read your Hansard. I know mine won't read mine.

Mr. Riddell: She's got damn little to read.

Mr. Hall: That's right.

Hon. Mr. Grossman: No, she doesn't, but my constituents read it almost daily.

In any case, I do want to say I just don't favour that sort of mechanism at this particular time. Depending on what happens at the GATT negotiations, obviously we are going to react in a way in which we'll protect those industries that need assistance in whatever way possible.

Mr. Hall: The value of imports coming duty free into the nation of Japan only represents two per cent, whereas in Canada it's something over 60 per cent.

Hon. Mr. Grossman: Of manufactured imports, but not of imports in total I'm told.

Mr. Hall: Not resource imports.

Hon. Mr. Grossman: That's right. May I move on to some of the other points so that we don't spend all afternoon on that?

Mr. Laughren: Would you permit a supplementary or are you dominating the time here this afternoon?

Mr. Chairman: We're on that again.

Mr. Hall: You just can't sit for longer than 15 minutes, can you?

Mr. Laughren: No, I have just a very small supplementary. Would you allow that?

Mr. Hall: Sure.

Mr. Laughren: The minister indicated in a response to Mr. Hall that he saw the tremendous benefits to Ontario of freer trade. I'm wondering on what he bases that, given the structure of the Ontario economy.

Hon. Mr. Grossman: I thought I had covered that. I don't want these remarks to be taken in any way as saying they are universally applicable to every sector of Ontario industry.

Mr. Laughren: Or that it's even government policy.

Hon. Mr. Grossman: Both the current Treasurer (Mr. F. S. Miller) and former Treasurer (Mr. McKeough) have been quite clear about the fact that major opportunities lie in the way of freer trade. That's where the rest of the world is going. Certainly the European Community has benefited substantially by it.

That is not to say there will not be adjustment problems. Our papers, everything we've been studying in the last months in this ministry, have been to address the adjustment problems in two ways: In terms of the phase-in of the tariff changes in order to protect those industries which will suffer as a result of the changes, and to permit those changes over the eight- or 10-year period Mr. Wilson referred to this morning.

On balance, we have to say that this is where the world is going as a result of the GAAT negotiations in many areas. We can sit back and try to draw up our own unilateral trade barriers or we can participate in these new opportunities. Clearly, for the most part, we would opt to take advantage of the new opportunities.

Mr. Laughren: Now we're getting policies.

Mr. Watson: If you want an example there are the soya bean growers. If they want to send a bushel of soya beans over to the United States it costs 60 cents tariff. If they want to send it over here it costs them nothing.

Hon. Mr. Grossman: May I say that Mr. Wilson quite properly points out that a lot of the recommendations of the sectoral task forces talked about the need for greater reciprocity, and in fact talked in terms of free trade with the United States. Mr. Wilson indicates seven of the 23 indicated that would be a substantial step to take to help that sector.

Mr. Laughren: It's certainly done wonders for the auto sector.

Hon. Mr. Grossman: It has helped substantially.

The third item referred to the question of incentives. Mr. Hall did outline his party's position which is rather more reasonable than that of the NDP on the subject.

I want to say that the Liberal Party has been talking a lot about the ad hoc aspect of it. I for one have tried to indicate that we must work, and are working, towards setting out some ground rules. So that there is no misunderstanding, we are not working towards such tight rules that people will not be interested in coming to talk to us to see if they might be eligible under the plan; I think we'd be subject to much criticism if we did that.

Many government programs are criticized because people come and say; "To qualify under this program I have to meet 10 or 15 criteria and I just can't meet all of them. I can hit 13, but not 15." That's a historic complaint about government programs.

We are clearly working towards a situation where we can outline some general parameters, and those general parameters are the types I talked about this morning. Is there an industry that's going to assist substantially in job creation? Is this particular investment going to give us a lot of leverage on private sector investment flowing out of that particular project?

We'll obviously look at tax revenues and the return the government gets. Is it going to be two and a half to three years, such as the Ford plant, or longer or shorter? Is it going to be an industry which provides support for Canadian entrepreneurs and Canadian innovation? Is it one that will feed some things that are very important to this country in terms of the Canadian components?

Finally—and this was quoted widely in the newspaper—we are going to try to pick winners instead of losers. We're going to try to support stronger people, and we will make no apologies for it. In that regard it is going to be a program which is—I suppose selective would be an appropriate word. We're not trying to set up a program, I have to tell you, into which you will be able to say, "This firm clearly qualifies and is entitled"; for example a Wintario situation where you either qualify or you don't.

I want to make it quite clear that whatever we develop, the resources are going to have a cap on them. It's not going to be unlimited resources. Frankly, we are going to be in a situation where we'll have to assess the applicants against these and other criteria that I've laid out and say, "Yes, this looks like one where it would be a good investment for the people of Ontario to attract this particular industry; because it has these advantages to it and produces these types of return for the people of Ontario." It is going to be quite selective.

I want to disabuse you of the notion that all of what you would call the ad hoc elements are going to come out of it. When we sit down with a prospect, we won't be able to say "Yes, you do" or "No, you don't," qualify. We have to talk and see what kind of terms and conditions we might extract and what the benefits are going to be. If you're going to call that sort of situation "ad hockery," then I'm afraid you're going to be using that phrase a lot in the months and years to come. That's the sort of thing, frankly, we are talking about. That's what's going on in the United States.

Mr. Hall: Will you have any board or outside body of opinion that will assist you in making such selections the way you're describing them? I'm really surprised. You

suggest to me that you're really putting your neck out a long way in being the final decision-making source on the handing out of large chunks of money without regulations or understandable public guidelines. You're brave, unless there's something I've missed here in what you've just told me.

Hon. Mr. Grossman: May I make a couple of points? Firstly, the vast majority of the loans we are talking about are not going to be Ford deals. They're not going to be large. The Premier (Mr. Davis) has often said we'd like to have more Ford deals, but he's also said, "I know there aren't very many of those around."

The vast majority of what we're talking about—and this has somehow got lost in the discussion about incentives because it's focused on the Ford deal—are much smaller situations. Hayes-Dana was a much smaller situation involving a net incentive of about \$600,000. Again we had a company that was already located in a part of Ontario and was considering an expansion outside of Canada.

Mr. Hall: As a matter of fact, Hayes-Dana also has a new plant in my riding of Lincoln on the Queen Elizabeth Way. Interestingly enough, it was stopped from expansion by reason of the urban area boundaries that your cabinet established. In that location it had no chance to grow. Whether or not it would have been a decision for them or not is another matter.

Do the rules you just previously set out apply to Hayes-Dana? Do they fall into that category of explanations as to justifiable loans—grants I should say?

Hon. Mr. Grossman: May I say I want to complete the answer to that, because these are some important points. If you have the impression we are talking about \$1 million, \$5 million, \$26 million grants—the vast majority of what we are talking about, both in our adjustment paper and in terms of what has become known as the incentive game, are much smaller. We anticipate a lot more of those types of things in this province internally rather than a situation where we are going out internationally and bidding. There aren't that many of those situations around.

Secondly, as I said in that Oakville speech I think, there are a lot of people who still locate in Ontario on their own without government incentives, for some very good reasons. Ontario has an excellent labour force; it's a good place and a safe place to live; it has a relatively cheap source of energy and a reliable source of energy. There still are a lot of pluses going for a lot

of communities and places in Ontario. There are very few instances which come up, which are going to fall into the large incentive category.

Let's you think I am a brave person for saying we are going to operate within a large framework and try and pick on a selective basis those areas we are going to support, let me assure that as was the case with the Ford deal we are really talking about the government of Ontario and the cabinet.

It's not going to be an easy process. What is going on right now, as we try to develop not only the framework but the mechanism for making these difficult decisions, are extensive discussions with my cabinet colleagues—the Treasurer, the Premier and others—to try and determine how we do all of this. Obviously, for example, the Minister of Natural Resources (Mr. Auld) and the Minister of the Environment (Mr. Parrott) are concerned, because under this general heading might come the pulp and paper industry situation. We really are trying to address those points, and that's really what's taking some time.

I want to add a couple of more things. One of the things which I, for one, am advocating, and which I believe will be the ultimate resolution of this, will involve some sort of advisory board or advice from outside of the government. We think that's important, so that input comes in from a specified area, from identifiable people performing that private sector function for us in terms of analysing all of the things we have talked about. Finally I think what we want to be able to do, and this will address problems of foreign ownership and research and development and so on, is to make sure there are certain quid pro quos involved. Sometimes we will be more successful than other times. Really someone with your experience, I think it's in real estate, will know, as you sit at a bargaining table, that the task is to try and determine whether there are enough pluses in this to warrant the particular investment. That's how we approach it; we will see just how good a deal we can strike. Then, depending upon how good a deal we have been able to strike, we will make an ultimate decision as to whether that particular best offer as made is attractive enough to warrant government participation in that sense.

I think I have covered most of the relevant points.

Mr. Hall: If I can just touch back on something you said in terms of where you wanted to head, you said you were going to be

selective and you were going to try and pick winners. I'm sure in none of your loaning policy would you ever try and pick losers.

Hon. Mr. Grossman: No, just the Liberals.

Mr. Hall: Nevertheless, is there some shift in your lending policies towards helping small business, if indeed you are looking more at "winners"? If under restraint you have only so much money, does this mean that those at the lower end of the scale, the less obviously successful ones without a proven record so far, are going to have it tougher than they have already in obtaining small development loans from this government? I'll feel very disappointed if you do that.

[4:15]

Hon. Mr. Grossman: No; let me make it clear. You have seen no indications that the traditional lenders of last resort, the Ontario development corporations, have in any way been phased down, changed or whatever. In fact I verified that in the House the other day.

Mr. Hall: A chunk of money—the loan that went to Ford—had to come from someplace; obviously it can't be spread over 100 industries.

Hon. Mr. Grossman: I just want to tell you that it is not coming from the ODC pot, it's not coming from the lender of last resources.

Mr. Hall: It's coming from the sources of revenue of this province though.

Hon. Mr. Grossman: There is no question about that.

I should point out that it is paid over a number of years. It's not paid in one year. The return begins to come back in the not-too-distant future.

I want to address the point so that there is no mistake on the record. This is not a shift of current resources from the traditional ODC lenders of last resort to something we have called "picking winners." What we are saying is this: The new programs, anything additional such as the \$26 million for Ford and so on, is not coming from that but is really a very new thing into which we have entered. In doing that we want not only to pick winners, but when we say pick winners we mean people who don't qualify as borrowers of last resort. When we say winners we mean people who are able to get financing at the bank but need an incentive or some special help, for whatever reasons, over and above what they could theoretically raise internally. That's quite a change.

I want to tell you as well, and I have said this in other places, that we will try and

pick winners and back strong people and we always do, but we will back losers, we will pick some people who won't make it. There's no question about that, because I hope we are going to be getting into much smaller programs for smaller amounts. While the Ford plant will be built, and Ford will not go under, I suspect there will be many people who will be recipients of some of the smaller grants, loans, guarantees, whatever, who may be less than successful. When I am asked in the House, "How come you made money available to so and so who didn't make it?"—my answer then will be the one I give you now. That is if we don't have a certain number of losers in this exercise, it probably means we will have played it too conservatively; and that is not how I see the program.

Mr. Hall: I want to be clear that I understand the purpose is that of an incentive. This is a form of "seed" money from which you hope to recover returns in terms of employment, taxation and so on. I don't consider that money to be gone permanently, but I do consider that such large chunks of money will act as a constraint on what ever else you can do until there is a flow-back. You may never be able to really measure that flow-back. You hope that it will come back tenfold I guess or whatever; but I'm concerned about the time you might have to live with this during which others might suffer a reduction because of the limitation of the total provincial budget.

Hon. Mr. Grossman: All I can say is that this is part of what we hope is a comprehensive Ontario government industrial strategy. It is not meant to rob one area of our industrial strategy in favour of another, far from it. In fact it is really an allocation of further resources to the economic side of the ledger, as it were, to deal with industry's problems.

To move on, you spoke earlier of our support for mergers. Obviously, again we can't generalize in terms of all mergers and all potential mergers, but I think the sectoral task forces, the first ministers' conference and some of the major economic study institutes of this country have concluded there is under-specialization in this country and that some mergers are appropriate at this time. What we really are addressing is a situation where perhaps over a period of years government policies have been so sensitive to the monopolistic aspects of some mergers that there has been a positive disincentive to merge; certainly the experience of the United States has been this. People have been afraid of it, frightened of it and

stayed away from it. In a country such as ours where there is extreme fragmentation there has to be some consolidation. Some mergers go on which will permit one plant or one firm to serve a large market rather than have five plants each serving its own dispersed five different markets. Perhaps one is not the right number to have used, but two or three instead of eight or nine would be the appropriate way to do it.

Certainly the history of Canada is quite clear. There have been fewer mergers in Canada than in other countries, including the United States which has very stiff combines legislation and anti-merger legislation, and yet they see a lot more mergers and those mergers mostly dramatically increase productivity.

Mr. Hall: How do you encourage them, though, aside from saying you won't invoke any anti-combines legislation? Do you have a specific program of financial aids or loans or other tools? There are certain positive aspects to what you say in terms of joining together so that they can afford to do R and D, and obviously reduce unnecessary administrative overhead. I am just trying to understand what you mean when you say you will encourage them, and what your yardstick is for uneconomically small.

Hon. Mr. Grossman: Several things. Since we have now been through a period of consultation through the sectoral task forces with industry I think many better lines of communication have been opened. We are in a situation in which we have a relationship with industry and I think this is true of all governments, which enable us to point out some advantages, in some circumstances, for mergers. It comes to the attention of ODC and to the ministry generally when plants get into difficulties. Firms do contact us, as you well know, when they're running into difficulties initially, whether they're coming to us for money or just coming to us to let us know as a courtesy. More and more plants do that when they're having some problems.

Very many times we have the firms in. We study them and we have computer programs which we make available to the firms. We really have a very good capability in the ministry to analyse the problems that a particular business has. We also have a good analysis of the other firms in that business. We are able in some cases to act as a marriage broker. We are able to put people together. We advise them to go to see each other, and sometimes we play a role there in order actively to encourage them to consolidate their services, facilities and so on. We not only do that in terms of over-the-

counter, face-to-face dialogue, but we have a monthly bulletin for mergers and acquisitions which is being circulated widely now. That lets the various parties know what the current possibilities are.

Mr. Hall: Just help me out here. I am sure a monthly bulletin circulated widely would go to your offices and what have you, does this bulletin reach into the private sector?

Hon. Mr. Grossman: Yes. The bulletin has a 7,000-circulation. Would you like to get on the mailing list?

Mr. Hall: No, I'm past that stage in life.

Hon. Mr. Grossman: Of reading?

Mr. Hall: Yes. However, I'm just wondering how you decide on the 7,000. You don't work through the mailings of the Workmen's Compensation Board of Ontario or anything like that? I don't wish to make a big point of it; you're trying to communicate and I'm wondering how you're communicating.

Mr. Garland: It's an active list of manufacturers in the province of Ontario. That is one segment of it. There are licence opportunities, joint venture opportunities and product manufacturing opportunities. There are about six categories we make available to the industries in Ontario. In effect, if there is interest in a particular merger and acquisition, if a chap wants to sell his company we'll list it for him. Whatever inquiries come in are dealt with on a confidential basis. He has an option either to talk to the ones who have applied or not to talk to them; it's his option, and we leave it at that. If we can successfully bring a buyer and seller together, that's good. If not, we'll try again.

Mr. Hall: But you don't contact the service industries, I gather from what you have said. You're talking about the manufacturing industry.

Mr. Garland: Basically it's manufacturing. Our mailing list at this time is—

Mr. Hall: How is that list constructed again, sir?

Mr. Garland: It's one that has been developed over the years in the ministry, and it's kept up to date annually by our summer students as far as the names of contacts are concerned. Any manufacturer can get on the mailing list and obtain a bulletin if he wants to expand or develop a licence arrangement with whoever. Our field offices make contacts with companies when they are making new calls; if they come across a company that has not been on the list, we are willing to list the company, and it will then obtain the bulletin every month.

Mr. Hall: I think there is room for discussion here in terms of your communication, and I will probably get on to that later in the estimates. I certainly think you have an opportunity and responsibility to communicate with industry and tourism in the province, but maybe we will get on to the methodology later. I just wondered when you made reference to that.

Mr. Garland: Mr. Minister, maybe we could bring a copy of the bulletin.

Hon. Mr. Grossman: We'll do that, sure. If you'll be here tomorrow night, Ross, we'll bring a copy.

Mr. Hall: Regretfully, yes, I will be here tomorrow night.

Hon. Mr. Grossman: The last point you raised was about our interface with other ministries. We have acknowledged some of the problems you've referred to. Indeed, in my opening remarks in these estimates I dealt at some length with our advocacy role within the government of Ontario as I see it.

One of the things I'm currently working on is some mechanism whereby we as a ministry can act as an expeditor. You're quite right; there is a problem where the applicant, for whatever, is often the sole expeditor; the applicant is the one who has to fight through the 26 layers of approvals that are necessary.

I should point out that our ministry did play that sort of role in terms of the Maple theme park; it began with that exercise and now is being expanded. I hope to spend some time on it in the next few months with my staff and with the other ministries, to be able to say to those industries that are hesitant to locate in Ontario or to expand in Ontario because of the extensive time lapse they would face in Ontario, and not in South Carolina, that we in this ministry will take responsibility for trying to get them all the necessary approvals within a certain time frame.

I am and will be exchanging information with my colleagues to try to see how we might put those various pieces together.

I think that's a point very well taken. We think it's important that investors, when they're looking at Ontario, aren't confused and don't say to themselves: "Now what do I do? I've got all these different ministries to go to look at." We don't want confusion out there; we want business.

I see our responsibility as being to make sure that the guy isn't scared off and that I'm able to say to him, "Look, come on in and see us; we'll take you through the labyrinth." At the same time, we're trying

very hard to straighten out the labyrinth in some of the ways we've talked about earlier. I agree with your point entirely, and we're trying.

Mr. Hall: Just let me inquire of you: The Ministry of the Environment comes under the same umbrella group, resource development, as your ministry?

Hon. Mr. Grossman: Yes.

Mr. Hall: Therefore, the ministry is closely allied to this matter of the \$100 million and the proposals that were made to the pulp and paper industry. What strings would you have asked for or are you contemplating relative to the obtaining of pollution abatement equipment from Ontario sources?

[4:30]

Hon. Mr. Grossman: I don't think I would have much to add to the remarks contained in the Treasurer's answers in the House the other day and contained in my answers in the House the other day. For example, acquisition of as much of the machinery as possible within Canada would certainly be one of the things we as a ministry would put some high priority on.

Mr. Laughren: Which you admit isn't built here.

Hon. Mr. Grossman: There's no secret about that, it's not. I told you the other day but you weren't listening.

Mr. Hall: Mr. Minister; I am given to understand there is a growing list of pollution abatement manufacturing companies which, because of lack of environmental regulations being enforced and the use of guidelines instead, are leaving Ontario at a time when we need them. I suggest this should be a very important concern of this ministry—not MOE, this ministry. Unless we get a handle on the problem of liquid industrial wastes we are indeed going to drown in our own juices. I sat on a committee earlier this fall when we discussed the matter and I have had some problems very close to home in connection with the handling of PCBs, as you are aware.

Now I am also beginning to get names of companies which are actually walking away. Their designers and their engineers are going to the United States because the opportunities are there and they don't seem to be here. This matter of an integrated approach and an interface with the other ministries is part of my very strong concern. I haven't seen it happen so far, Mr. Minister. I am wondering how much of a dialogue you have had on it.

Hon. Mr. Grossman: I can tell you specifically—I want to deal with the second point—we have had extensive dialogue with them. I don't think the Ministry of the Environment is at all unaware of the seriousness of the situation. They are addressing it. The minister hardly needs one more call from me to emphasize to him how important and crucial it is. There is in this matter a high level of awareness.

By way of indicating how we are working with the Ministry of the Environment, Ontario Research Foundation, in its customarily efficient fashion, has handed me—I will distribute this—an indication of how they have been working on the process of disposing of liquid waste in terms of something called the Wetox process pilot plant. You see a truck, Ontario Ministry of Industry and Tourism through the ORF; this is one of the pilot projects that is well under way.

Mr. Hall: I am familiar with that. I think they have other pilot projects, particularly with PCBs, that are seeking authorization right now.

Hon. Mr. Grossman: I think that is right. I might pass these around to other members of the committee.

We have a co-ordinated study going on now with the Ministry of the Environment—notwithstanding Mr. Laughren—to try and identify with them opportunities for Ontario manufacturers to get into the business of building the equipment necessary to solve our environmental problems.

Mr. Hall: Mr. Minister, in connection with handling of industrial waste, there was an environmental assessment hearing at Nanticoke. This was by a private firm as the applicant. The hearing rejected the site and therefore rejected the proposal.

I am told that with the type of engineering and studies of various techniques, and the expertise that is needed, that workup of another environmental assessment hearing would cost something like \$300,000. This is in an atmosphere where there is very little guarantee that any private firm would be successful. So you are getting, much as I dislike to see it, a situation where it may have to be the government which will foot the bill for the testing and study to find out where sites can be located.

Up until now the Ministry of the Environment has expected private industry to roll the dice and take a chance with the proposal in anticipation that the eventual profits will be worthwhile. This is the way most small businesses get going, but right at the heart of this whole matter of what you are trying to

do with industrial wastes you have this problem that the cost of the game is too high. The stakes are too high to throw that dice for \$300,000 in the hope you might get a winner. I suggest you discuss these matters more carefully with the Ministry of the Environment, because it is going to encroach on your area very quickly in my opinion.

Hon. Mr. Grossman: Again, some of the problems you raise are problems which the programs we are now looking at would help solve. Someone may be thinking of locating here and say to us, "Look, in Georgia they don't give a damn about environmental problems; here in Ontario you do, so who is going to pay for the cost?" They have the delay entailed by the hearing, and indeed the hearing itself; and that may be a very legitimate extra cost which an incentive program might look after. Mr. Laughren and his friends probably wouldn't agree with paying that sort of extra money to solve environmental problems, but I, for one, would.

Mr. Laughren: Boy oh boy; the slander going on in here is intolerable.

Hon. Mr. Grossman: It's like the blue tile under the bridge.

Mr. Hall: Mr. Minister, the one other thing I asked you this morning had to do with your current studies on the cost of government regulations. I'm wondering if you could tell us how far along you are, what you are finding out, when the answers will come down and what your recommendations will be?

Hon. Mr. Grossman: I will ask Jim Wessinger, director of our industry and trade analysis branch, to answer that for you.

Mr. Wessinger: We did a study some time ago, in fact we had a commission to look at the cost and the economic impact of specific regulations. We identified by categories the various costs imposed by a specific regulation. This was simply to support our recommendation that what was required was an economic impact statement. We said that in the whole government policy and decision-making process should explicitly take into account not only the cost involved in terms of tax dollars, but also the cost it would indirectly impose on the private sector. That study has been completed and has led to some recommendations which have since been implemented.

Mr. Hall: What I am trying to understand is how broad is this study you are doing? Is it reaching down to the small businessman?

Hon. Mr. Grossman: Say yes, Jim.

Mr. Hall: Now, Mr. Minister.

Hon. Mr. Grossman: He knows me well enough by now. He knows I am just kidding.

Mr. Hall: I would like to have what papers you have which would help educate me on what your goals are here.

Mr. Wessinger: I think there are two issues involved: One is the regulations and the whole regulatory environment that we operate in; the other is the new regulations coming on stream. How do we set in motion a process that prevents a multiplicity of regulations being implemented without a proper assessment of their impact on the private sector?

In addition to that, there is what we call a review of the regulations that are now in place. This is being undertaken primarily by the Premier's office, although we have also been involved. We are providing the analytic backup to the Premier's office. That is designed to identify regulations which perhaps no longer serve a useful purpose with a view to deregulating where that makes sense. That is a different exercise.

I think there are two elements involved: One, looking at everything from here on, which would require an economic impact statement on all new regulatory activities that are undertaken; and the second exercise, looking at what regulations are now in place with a view to eliminating those that no longer make sense.

Mr. Hall: You're doing a lot of skating around there. I'm trying to get a handle on the specifics of the study. Is there anything down on paper of a specific nature?

Hon. Mr. Grossman: Mr. Wessinger is working on these items, as is Alan Gordon of the cabinet office who is indeed one of the finest civil servants.

An hon. member: I know that.

Hon. Mr. Grossman: Then you will agree with me that he is one of the finest civil servants in this government. In any case, it's being approached in a rather comprehensive way. You saw the Wiseman report when it was finished. These are in the works. Perhaps next time we have estimates we'll have that paper ready with some specifics for you.

Mr. Hall: There's nothing coming along in the immediate future?

Mr. Laughren: He's got 108 reports coming.

Hon. Mr. Grossman: That's right. It's going to be a busy year. Mr. Laughren is going to spend a lot of lunch hours reading these documents.

Mr. Watson: Can he read all the speeches too?

Hon. Mr. Grossman: We are well under way in the process.

Mr. Hall: Is this the same area of study where Mr. Wiseman recommended merging the three development corporations and you spoke out against that?

Hon. Mr. Grossman: No, it's wider than that. It's the regulatory climate. Mr. Wiseman talked about how we might more efficiently run the internal workings of the ministry. It really isn't going to impact on the economic climate very much whether we integrate personnel of ODC, NODC and EODC with MIT. Mr. Wessinger is looking at it more from an economic impact standpoint, as is Alan Gordon.

Mr. Hall: I assume even if I don't get all the answers I need during these estimates you'll be happy to fill me in later on.

Hon. Mr. Grossman: As these reports and the others are finished they will be made available to you.

Mr. Chairman: We're still on vote 2202. Ms. Bryden, did you have some comments?

Ms. Bryden: Yes, Mr. Chairman, I've been waiting a long time.

Mr. Chairman: We've spent over five hours on this one vote already and we have five more to go through.

Ms. Bryden: Some of the committee members were late today and we lost a half an hour.

Hon. Mr. Grossman: On my part I'd be happy to set aside tomorrow night for tourism.

Mr. Riddell: I think some time should be set aside. We're overlooking a very important industry.

Hon. Mr. Grossman: I'm happy to set aside tomorrow night for tourism.

Ms. Bryden: Under this vote we're discussing the planning activities of the ministry. Planning used to be a dirty word used only by socialists. Now that the minister practically admits in the note to vote 2202 that his ministry does engage in a form of planning in the development of industrial strategy, I'm glad to see that he has been converted to the merits of planning.

Mr. Laughren: Don't be provocative.

Ms. Bryden: However, the premise on which he appears to base his planning is what alarms me. If we can take his December 1 speech to the Oakville Chamber of Commerce as an articulation of his philosophy, this is one of his major premises; I quote from page 12 of the speech: "Frankly, income redistribution, regional development and the equalization of basic services are objectives which must be realized and improved in their own right, but they must not now

hamstring the development of an industrial policy which treats excellence and competitiveness as paramount."

Hon. Mr. Grossman: Do you agree with all that? Those are a lot of your pet projects. I've seen you wear a button for each one of those.

Ms. Bryden: Do you mean that in the interests of competitiveness you are going to give all sorts of tax breaks and grants to industry so that there is no money left for the mortar which binds this country together? Do you mean that we should suspend efforts to achieve balanced economic growth in the country, and equality of services and opportunity at this time, in the name of your industrial policy, which you say is paramount? If so, I would say you are exhibiting a narrow parochialism in advocating an industrial strategy which would be destructive of Canadian unity.

[4:45]

I challenge your premise that industry needs all sorts of tax breaks and concessions to increase its competitiveness at this time. In fact the only growth industry today, Mr. Minister, is corporate profits. The devaluation of the Canadian dollar has already improved the competitive position and profit picture of our export industries. To imply that these companies, and many domestic companies in branch plants, cannot carry a share of the costs of keeping Canada together at this time is to give in to their crying lobby, to accept their statement that they are overtaxed and cannot compete.

To me, they seem to be carrying on a form of blackmail. And the minister is willing to allow himself to be influenced by this kind of blackmail; because what seems to happen is that when we do make concessions to increase their competitiveness, we only end up with their profits going up and then they use the money for investment abroad and Canada, as a country, goes down the drain in the process.

So I would like the minister to clarify what he meant by that statement in his speech. I would hope that in planning his industrial strategy he would develop policies which will consider the interests of all Canadians, not just his corporate friends in Ontario. He seems to be the spokesman for them in developing this industrial strategy. Could he comment on that?

Hon. Mr. Grossman: First, I'd be happy to respond to that rehash of speeches Donald MacDonald was making in 1958.

Mr. Breaugh: Damn good speeches then and they still are.

Hon. Mr. Grossman: The world has changed, if the NDP hasn't.

Ms. Bryden: Well you've accepted planning.

Hon. Mr. Grossman: In any case, I thought I would take this opportunity, Ms. Bryden, to present you, so to speak, with We Treat You Royally buttons in every colour. Then you can support this cause, as you have so many others, outspokenly and clearly. I hope that you will be wearing a We Treat You Royally badge in the House tomorrow to match whatever dress you're wearing then. I have a green one here for you today which might go well with your green dress.

Mr. Laughren: Do you believe that employees in the tourist industry should be treated royally, too?

Hon. Mr. Grossman: Absolutely.

Ms. Bryden: Still, I have to be convinced that you treat us royally, and I don't feel that you are treating Canada royally.

Hon. Mr. Grossman: I see. Okay, let the record note that Ms. Bryden is contemplating putting the button on.

Mr. Breaugh: The question is: where?

Hon. Mr. Grossman: My choice or hers.

Mr. Breaugh: You may be two inches taller when she is through.

Hon. Mr. Grossman: Let the record note that she declined to put it on.

Mr. Breaugh: Eminent good sense.

Hon. Mr. Grossman: Well Mr. Breaugh doesn't support the idea that we treat you royally. The speech that you refer to, was obviously a best seller—not MacDonald's 1958 speech but my Oakville, December 1 speech.

Mr. Breaugh: My copy came on a roll, 650 sheets.

Hon. Mr. Grossman: It will be in hard cover after Christmas.

Mr. Breaugh: A very useful roll.

Hon. Mr. Grossman: I support the pulp and paper industry.

The speech was phrased carefully, I thought. I'd like to make it clear that we were in no way sacrificing or trading off some of those laudable goals for which you have worn buttons, and indeed which the government of Ontario has worked so hard to attain, and has attained in some areas over the last few years. I think it is fair to note that the leader of your own party has reflected much the same thing in saying, just shortly after he astonishingly became leader, that the priorities now were to shift to economic matters. That was his set of prior-

ities. He said attention must now turn to the economic issues and I think that is emphasized in persons he has appointed to fill these very important posts on the front benches of the party in the person of—and I think that is appropriate and proper.

I must tell you, I do not hear the leader of your party arising eloquently day after day, as your former leader used to, to talk about some of those laudable social goals that we all address so often and so well in earlier years. He is quite properly doing what we are doing, and that is exercising the need to address the economic issues of the times.

You say, using the old rhetoric, that the only growth industry today is corporate profits, but I would point out that another growth industry today is unemployment, and that concerns me a hell of a lot and that is precisely what everything we have been talking about is addressing, because, while some of the other goals we have talked about are important and are as important as they have always been, we are not a party that puts one away at the expense of the other.

If you were here earlier you would have heard your colleague argue that one could have only one priority.

Mr. Laughren: One first priority.

Ms. Bryden: I was here at that time, Mr. Chairman.

Hon. Mr. Grossman: I wonder which priority you would select, the industrial one or the social one? We don't look at it in those terms. You and Mr. Laughren apparently do, I don't know which one you would select. You might select environment as your first priority. I want to say to you that we in this party don't play them off one against the other and we think they are all priorities that can move ahead together, and the job of this minister is to make sure that none of them hamstrings the other and that they all move ahead together.

Mr. Breaugh: You ignore the environment and do nothing about the economy.

Mr. Laughren: For a short guy you have a big straddle.

Ms. Bryden: You said that these policies of regional development and income redistribution and equalization must not now hamstring the development, so presumably you are abandoning them because you assume they in the past have been hamstringing it.

Hon. Mr. Grossman: Nor should the economic expansion hamstring those.

Ms. Bryden: As regards the stress on economic policies by my leader, I would agree that is very important in order to solve

unemployment, but he has never said that the industrial development policy must ignore the regions of Canada and must not bring the regions along with us in the development of such a policy, and this is what you seem to be abandoning, regional development, in this statement.

Unemployment is the highest in some of the outlying regions, so there is all the more need for a balanced economic growth and for Ontario to play its part in developing its policy in that balanced growth and not to try and concentrate everything here. We are Canadians as well as Ontarians, and part of that balanced growth could be achieved if we could end this branch plant economy which tends to concentrate in Ontario and Quebec and which is impeding our opportunity to develop an import replacement program with Canadian industry, providing the import replacement. It is also impeding our opportunity to export, because the branch plants tend only to export where their parent tells them to.

It seems to me the minister's planning is based on a very narrow approach which, to my mind, seems to favour mainly the multinational and export industries of Ontario without thinking of the rest of Canada.

Hon. Mr. Grossman: I can't say much, except that you haven't surprised me too much this afternoon. The only point I would like to clarify is that when you talk about regional priorities, again we are not playing off one against the other.

What we were saying in Ottawa, for example, was that their allocation of resources had to address more than just regional disparities and had to deal with some very real problems in the Ontario manufacturing sector, and for the federal government to hold itself out as responding to the GATT negotiations and the problems of the Canadian economy simply and continually by pointing to DREE and other regional disparity programs isn't enough.

We are beginning to address this problem more aggressively in this province by recognizing that lenders-of-last-resort mechanisms also are not enough. I made it quite clear that we weren't talking about abandoning one in favour of the other; simply that it isn't enough. As you allocate your resources, you can't think you have done the job simply by addressing the regional disparities. You also have to look at the relatively stronger segments and see if they don't need some assistance; in some cases we find that they do.

Mr. Chairman: Any further discussions under vote 2202?

Mr. Breaugh: Mr. Chairman, I want to make some comments that are in part a response to the minister's introductory remarks and in part a long-standing desire on my part to put on to the record some feelings and very deep concerns that I have about the automotive industry in general.

In the first instance let me put forward my concerns. First of all, I am concerned that many people—this minister included—are being extremely simplistic in their dealings with the automotive industry and are displaying too late, I think, a concern about the industry.

The concern I have centres on the tremendous impact of the automotive industry on this province's economy. To use one of the little jargony phrases, one job in six is attached to the automotive industry. It is more than that. We have entire communities that are built on whether a particular model will sell well and whether it will sell in the United States, not here. Not only that, they are subject to the control of a corporation whose prime concern is not the economy of Ontario, whose major influences are outside of this province and who, if they ever think about Ontario, think only of it as an afterthought and certainly not as a primary consideration.

I am pleased, and I want to give credit where credit is due, that this government has finally recognized the importance of the automotive industry. That has only happened in the last year or so.

I am not at all convinced that the government of Ontario has much of a straight line on precisely what is going on in the automotive industry, that it knows what the hell they are talking about, or that it is prepared to really do anything about the automotive industry.

I recognize the government's commitment to something called the free-enterprise system, which no one is really defining very carefully these days, and that this government has not been reluctant to nationalize sectors of the economy or the production of hydro-electric energy or water. Your philosophical bent certainly turns, on occasion, when it suits your purpose.

Hon. Mr. Grossman: Name more recent ones.

Mr. Breaugh: The Liquor Control Board of Ontario; how is that? Is that recent enough?

Hon. Mr. Grossman: No, it's hardly recent; and it's hardly a traditional free-enterprise operation in the province.

Mr. Breaugh: That's right—in this province.

Hon. Mr. Grossman: Take one that was traditionally free enterprise, like the Chinese food factory that they took over in Manitoba.

Mr. Breaugh: There, precisely, is the problem I am addressing myself to. When the minister gets that simplistic, it is dumb. I wish your reputation in the corporate boardrooms were good, because it is not—

Hon. Mr. Grossman: You should see what it is in the courts.

Mr. Breaugh: I wish that, not because I want you to be well thought of in those quarters—I think, generally speaking, you are—but because your ignorance about the automotive industry is almost legendary.

Hon. Mr. Grossman: In six weeks it's legendary?

Mr. Breaugh: Oh, yes.

Hon. Mr. Grossman: Even I couldn't aspire to that.

Mr. Breaugh: That is the one thing you have accomplished; you have made that one major accomplishment, and you have a short period of time to overcome it.

[5:00]

I noticed that almost everyone, when they speak of the automotive industry, goes to that little document called the auto pact. Unlike Simon Reisman, I didn't write the thing, and what's more I didn't write the report on the thing, and what's more I didn't write into the report on the thing kind of a pension plan that assures me that there'll be further jobs for me to do looking at the automotive sector for the federal government.

I watched with considerable dismay the federal minister responsible, a fellow by the name of Jack Horner—who used to be one of yours, and now is one of theirs, and I think you should be thankful—

Hon. Mr. Grossman: Eternally.

Mr. Breaugh: Frankly, he is an embarrassment.

Mr. Chairman: He's going over to your party next.

Hon. Mr. Grossman: He'll be gone shortly.

Mr. Breaugh: I assure you, come hell or high water, Jack Horner wouldn't be allowed to set his foot in the door, not on our worst day.

Hon. Mr. Grossman: You said that about Morty Shulman once.

Mr. Breaugh: I didn't say that about Morty Shulman.

Hon. Mr. Grossman: But we'll forget about that.

Mr. Breaugh: The auto pact itself is a very simple kind of document; simplistic, perhaps, to the extreme. The odd thing, in my mind, is that it states some generalized intentions, it is written, by and large, for the convenience of the industry itself, and the well-being of the economy of Canada and the United States is almost secondary.

If one looks at what happened subsequent to the writing of the auto pact and the signing of the agreement, one begins to wonder whether governments on either side of the border were particularly serious in writing the auto pact and in attempting to live up to those very generalized principles that they expressed there, because it's not monitored, because there really aren't any penalty clauses involved in the auto pact, because it's been operating very openly at the convenience of the industry itself.

If we look at what has happened—and belatedly this government is starting to look at what has happened—I see some rather far-reaching and rather dangerous trends developing. One is the production of the type of vehicle that's made in Canada. I think when we talk about the automotive industry we talk almost solely of Ontario; about 90 per cent of it is in the province of Ontario. So for all intents and purposes this trade agreement is virtually between the United States of America and the province of Ontario.

That's a little frightening in spots because the province of Ontario did not sign the pact, does not officially participate in the discussions that surround the auto pact, is only beginning now to monitor the ramifications of the pact and, in fact, can't get right on top of the bargaining table. In the final result it has to operate through a federal government that it's pretty obvious couldn't care less about this pact.

It's unfortunate—it's more than that, it's disastrous, because this auto pact is fundamental to the whole economy of this province.

I think the auto pact has done us some good. In turn, though, it's done us considerable harm. If we look at the kind of vehicles that are the major production vehicles in the Ontario automotive industry, they are the wrong kind. They are tending to be the larger cars. They are tending to be the specialized vehicles. When we get right down to it if you had to make the kind of choice that people in Brampton had to make with American Motors, you would probably want to produce the specialized vehicle rather than go out of business altogether.

That's a simple, fundamental choice that perhaps had to be made, but it's an unfortunate one, because there's got to be a limit, unquestionably, to the production of specialized vehicles by anybody. There's got to be an end to that market. There are only so many people, even in North America, who are going to buy a four-wheel-drive vehicle to run up and down Highway 401. There's a limited market there, and that market has been researched and worked to death over the last two years.

If you go to any of our production lines where these four-wheel-drive vehicles are being made you will see how specialized those vehicles are. If you go to the truck plant in Oshawa it's rare to see a pickup truck, a plain ordinary type of pickup truck that a farmer in Ontario or a small businessman would use. That's a rarity on that line. You see them coming down with four-wheel drives in pin stripes and every accessory the company can think of, but you don't see the pickup trucks. They're virtually non-existent.

There's a demand for those still—that hasn't changed substantially—but what they're really into is that specialized market, and it concerns me that we may wind up producing vehicles that no one wants to buy. I would remind you that at most of our production facilities in Ontario we are making the larger car models, and that's not precisely where the market is going in the foreseeable future.

In terms of down-sizing and of producing a vehicle that's more fuel-efficient and that pollutes the air less, we're rather at a stalemate here. In terms of producing a more efficient vehicle, one that uses that declining resource of oil in a better and more rational way, we're about at the limit. The technological changes that most of us would have liked to have seen are not on the drawing boards. There are vague attempts being made but they are not for real now.

One of the reasons I get concerned about the automotive industry is that it is at one of its fundamental turning points. It is no longer going to be the case that people are going to be buying the large Chevrolet, Pontiac and Chrysler products that they bought, they won't be buying them in that quantity. The United States is taking some steps which will make it a real penalty to buy such a vehicle. Because we produce for that United States market, we will be producing the Edsel of 1979 if we don't change the type of vehicle that's made here.

That's a very real concern I have, because I am aware that the type of vehicle which is likely to be the marketable one in the foresee-

able future, in the next four- or five-year period, is not being produced here in Ontario. It's being produced in the United States. That causes me some concern. It causes me concern in the sense that I don't see the governments at either the provincial or the federal level doing anything about that.

I'm not proposing that you nationalize the industry, but I am proposing that you get involved and intervene in the mechanism. You can have great faith in free enterprise, but I would remind you that these are the multinationals that brought us the Edsel, these are the ones that produced the Pinto. These people make mistakes on a rather remarkable and relentless basis.

Hon. Mr. Grossman: Unlike socialists, who never make a mistake.

Mr. Breaugh: I thank you for the compliment. Do you want to try again?

Hon. Mr. Grossman: Yes, let's go back to the truth.

Mr. Breaugh: Are you inferring that the minister misled the members?

Hon. Mr. Grossman: On that point unquestionably, for those who bought it.

Mr. Breaugh: Let me go to some parts of the industry that obviously need some assistance. I'm not sure that this ministry really knows what to do. The parts sector is one which is often focused on as being a sector of the automotive industry that's in bad shape. It's difficult to ascertain that.

One can look at the presentations by the Automotive Parts Manufacturers Association and listen to their cries, which I think are for real. It is difficult, though, to ascertain precisely who is suffering. The corporations themselves are now heavily into parts production for their own assembled vehicles.

Hon. Mr. Grossman: May I interject by saying we haven't said that the auto parts industry is in bad shape. We just said it has immense potential that should be tapped. We didn't say it was in bad shape.

Mr. Breaugh: I'm certainly glad to have you clarify that.

Mr. di Santo: I'm afraid it's not quite what Pat Lavelle says.

Hon. Mr. Grossman: I'm talking about what I said.

Mr. Breaugh: Yes. It certainly isn't in agreement with what Patrick Lavelle says.

It's difficult to sort out exactly what's left in terms of a Canadian automotive parts sector. The ones that are producing parts—and I have several in my area—by and large are not Canadian parts producers. They are

American-owned subsidiaries functioning almost at the sole discretion of the multinationals that produce the automobiles. That causes immense problems. Let me give you one slight example.

I have a plant which produces the rather undramatic item called a bumper on a car.

Hon. Mr. Grossman: A which?

Mr. Breaugh: A bumper, those little knobby things you see at the front and the back. I didn't mean to use a technical term.

Hon. Mr. Grossman: I thought for a minute you were talking about your caucus. I'm sorry.

Mr. Breaugh: Oh, no.

Mr. Laughren: We have a bumper crop.

Mr. Breaugh: We have a bumper crop of excellent people. These are the little things they put on the front and the back of the car, in case the minister is interested.

Hon. Mr. Grossman: It was your caucus.

Mr. Breaugh: The United States government, which always sets the standard in the industry, indicated some time ago to the big three—actually, there are four major producers—

Hon. Mr. Grossman: The fourth being in Brampton.

Mr. Breaugh: —that they're going to have to start looking at the kind of materials they use in cars and that it must be lighter. That led to the rationalization that they want to go into aluminum bumpers.

This little plant in Oshawa has used a number of incentives provided by this government and by the federal government to exercise its prerogative in modernizing equipment. That means, in effect, some loss of jobs. It also means, in effect, that a company that used to provide a variety of products now specializes, the very thing the minister spoke of before. It has almost secured the market, virtually cornered the market for the production of aluminum bumpers.

There are one or two slight hitches in this process. One is that they haven't quite mastered how to make an aluminum bumper yet and they are faced with that prospect of shipping aluminum bumpers, under the auto pact, across the border to the United States to be assembled into vehicles. The only difficulty when they got them on the assembly line is the lights didn't fit, and as you understand the design of modern vehicles, all these things are integrated now across the bumper so it isn't just the bumper any more, it now houses things like signal lights. They didn't fit. They have gone back through the pro-

duction process again. They are gradually working out their mechanisms.

They went through a short period of time there, I will tell you, when things were a little dicey because the corporation, the multinational which was buying this product from them, was virtually saying to them: "If you can't get your production problems in line and fixed within a reasonable period of time"—which they defined as a two- or three-week period—"you lose the contract." This is a Canadian plant which has virtually redone the plant to make this item, and so there was a danger point reached there when this whole massive investment, just under \$2 million in this one plant, might well have gone down the drain because the contract to buy the bumpers from them may well have been cancelled. So there is that problem.

I point out to the minister that if you or I were walking down the street we might think that is a Canadian parts plant. It is not. It's a subsidiary of an American company, and an unfortunately large number of parts producers, although they might on the surface appear to be Canadian plants, are in fact not Canadian plants and they are controlled by larger corporations in the United States.

So this examination of the parts sector I think has some holes in it. There are a few people examining precisely what is left of the Canadian parts industry, and if you go down the list of who purports to be a Canadian parts plant, there are few of them left and their share of the market is declining rapidly.

I support some of the notions that are put forward by the Canadian Automotive Parts Manufacturers Association. I think that they have some worthwhile goals here. I don't see much happening, though, on the part of this government or the federal government to do anything to save them. In the matter of research and development, which is basically the crux of the problem, at some point in time someone designs what the product should look like and following a three- or four-year period of investment, changeover in machinery and developing new contracts, we then get the product coming out the other end, so it is important that we play some role in designing what the product will look like initially.

Right now almost all of these specifications are laid down by the American government and almost all rubber-stamped by the Canadian government. I don't know what else you could do. The matter of research and development is virtually non-existent in Canada. There is practically none, nor is there any real incentive for any automotive parts pro-

ducer or assembled vehicle production facility to get into research and development. I think in large measure because governments, federally and provincially, have left them alone, have not even talked to them.

I am not much of a fan of the American system of lobbying the government but I do recognize that that provides the occasion for the government to talk to the industry and for the industry to make its point to the government. We do not do that at all. As a matter of fact, although General Motors in the United States has a whole department whose job it is to go and deal with their government, in Canada, General Motors of Canada has one employee, one, whose job it is to perform some form of liaison with various levels of government. That's about the amount of attention that any of the multinationals give to the governments in Canada. For all intents and purposes, you don't exist. You are only there in the case where you are prepared to provide some form of a bidding, as you did with the Ford case, in terms of incentives. I want to come back to that somewhat later.

I want to focus on this matter of parts, because I think that there is a valid argument to be made that in Canada we have the equipment, we have the skilled employees and we have the facilities and we certainly have a need to expand our economy in that parts sector. It's not going to happen until there is either a requirement in the auto pact, or negotiated outside of the auto pact with the industry themselves, to do some research and development here and to do some design here.

[5:15]

I point out to you that the federal government, bless their little hearts, has just blown \$25 million on a test facility in the province of Quebec—and I won't go into why it's in Quebec, but I would point out to you that it's there. Frankly, I don't know what they are going to do with that \$25 million facility. Are they proposing to set up standards that the multinationals will follow? I think not. But again, I think that perhaps provides the opportunity for governments in Canada to use that facility, which I suspect is going to turn out to be a bit of a white elephant unless someone takes advantage of it, to do some research and development, some testing in design right here in Canada for our own parts sector.

I would encourage you to participate in that, to use that \$25-million expenditure to see if you can't regenerate a Canadian-owned and operated research and development sector

that leads into parts production. I recognize that it's not a two-week project. that it is a long term project, but I think you clearly need to involve yourself in that sector of the automotive industry. I recognize, as well, that there are lots of spin-offs.

It's not an easy task at all, but I am basically saying to you: "Get into it because you need to be there." If you want to do something akin to what you said earlier, about going after unemployment in Ontario, that's one thing you can do. That's one thing I suspect the private sector, at least in the parts segment, will welcome, because they need some of that. Many of them, at least the small Canadian-owned parts industries, need some help from the government. Frankly, I think that, though you may think it a socialist plot, it is a sensible thing for you to get into.

It would be particularly sensible if you could get the \$25 million test facility put to some sensible use. If in the process of doing so you manage to save some jobs in Ontario, you would even have a bonus thrown in there.

Hon. Mr. Grossman: When we help those companies you refer to, shall we take shares from them?

Mr. Breagh: That's an excellent idea. That's about as sensible an idea as a stock-broker who expects some return for his investment, and in the ancient traditions of the free enterprise system a damn sensible thing for you to do.

Hon. Mr. Grossman: I hope the people in your riding see it that way.

Mr. Breagh: The people in my riding would be overjoyed to see their tax dollars spent sensibly for a change. They would be just jumping up and down. You might try it on for size.

Hon. Mr. Grossman: If we could only get a Ford plant in your riding now.

Mr. Laughren: Have you come around to our way of thinking now? Is that what you are telling me?

Mr. Breagh: I think he's about to make a total commitment to the idea.

Mr. Laughren: The whole idea of equity; that's refreshing.

Mr. Breagh: Let me also quote a background paper. I enjoy some of these background papers, because I sense that for the first time in your history as a government in this province you are finally beginning to at least ask some questions and do some research. This one is a background paper on the automotive products industry. It was

tabled by the Premier (Mr. Davis) in June of this year. Here's an interesting thing for him to say:

"We do not think that it is unreasonable to expect the parts suppliers and vehicle manufacturers to undertake activities here of at least the value of this indirect contribution made by Canadian consumers."

Well that's putting it mildly, to say the least; "we don't think it's unreasonable to expect the parts suppliers and the vehicle manufacturers to undertake activities here." I would like to see you be just a bit more aggressive. I don't think you need to be apologetic to any of the corporations that are involved. I don't think they respect you when you take that stance.

It has been my experience, in talking to people who work in management at General Motors and in other corporations, that the one thing they do respect is someone who has done his homework; who takes an aggressive stand. They respect that far more than any piddling attempts to bribe a multinational at the end of their decision-making process. They like to know that the people they deal with have done their homework and aren't afraid to take a position.

They recognize that sometimes the position of a government is going to be at odds with the corporation, but I would remind you that those multinationals function in almost every country of the world and they couldn't care less if there's revolution in the streets, unless it stops the production line. In other words, you can bomb the rest of the plants around them, but as long as you don't stop their production line, they couldn't care less about what's going on. In spite of every stripe of political philosophy, state of development, mental unrest or physical danger, they continue to function; it doesn't bother them a bit. They do it in all parts of the world, and I suggest that they will do it in Ontario for some time, because they already have a massive investment in place and one that works well.

One of the things that would do you considerable good is to follow some of the recommendations that were made by the United Automobile Workers in their presentation to the Reisman committee. They are not new concepts, they are matters that have been placed before this ministry many times. They point out some of the practical problems that are under way in the auto industry now. If you are going to have informed public debate, which I personally sense is not really happening, then you have to see that you have your own detailed information about the structure and perform-

ance of the industry. Reisman calls for that, I think it's time you did that.

I recognize your efforts to get involved and that you are now doing things that two years ago you wouldn't even have bothered with. I put it to you there is a need to have that information reviewed regularly, published and made public. That should be the basis upon which you form the policies you establish in the future. They put in their brief a call for the reinstitution of temporary assistance benefits. They are recognizing that the situation is getting a little hairy out there and that there is going to be some reallocation and unrest.

I think at the heart of their concern is their recognition that the automotive industry is turning its corner. It is going to be substantially different five years from now from what it is now. In 20 years, you probably won't recognize it in form or format, from the vehicles that they produce to the way they produce them, and perhaps even the way they market them. I think there is clear recognition on the part of the workers that there is a need to provide some help for them, a buffer for the workers in terms of this transition.

I guess the estimates range that from somewhere around \$60 billion to \$80 billion of investment will be made in the automotive industry in the next 15 or 20 years. Are we going to get our share of that? There is absolutely nothing on the books that says we will. There is very little that I see in terms of a long-term policy on the part of this government to do very much about that.

Hon. Mr. Grossman: I guess we got one.

Mr. Breagh: I guess you got one. If one would save the world, we would all be happy. One won't.

Hon. Mr. Grossman: You just said there's no evidence that we have got any. I just wanted to correct the record.

Mr. Breagh: That isn't what I said. You seem to have a hearing difficulty, do you know that?

Hon. Mr. Grossman: Should we poll the jury to see if I hear right?

Mr. Breagh: No. Why don't you read Hansard?

Hon. Mr. Grossman: I will. I'll bet you a dinner—not together—that I'm right as to what you said.

Mr. Breagh: You're on. I hope you like Mr. Submarine.

Mr. Hall: Wendy's hamburgers.

Mr. Breagh: No, he might meet another minister in there.

There are some serious problems in this reallocation of facilities and of workers. The UAW talks about a temporary assistance benefit. It also talks about pension reinsurance. We have seen in a number of our plants where people with considerable seniority have had the factory, in effect, leave them, it has gone somewhere else. I guess the most dramatic is Prestolite of Sarnia, which was at one time a heavy employer in the area and is now virtually out of business. The personnel investment in that production facility was immense, and they are left virtually hanging on the vine. There is a need to provide some protection for those workers.

I want to point out to you here too the opposition that was expressed by the auto workers about using the taxpayers' money to bribe the corporations. They have made this point on a number of occasions. They make the point in their brief that these incentives are a costly game and one that the province of Ontario can't win in the long run. If you recognize very simply that you are trying to bribe a multinational corporation that doesn't need your money in the first place and that your competition in the bribery field is the United States of America, it shouldn't take even this government very long to recognize that you are over your head, you are out of your league. In the long run you are not going to win that one. You might win some, you might gain an initial victory, but in the long run you have set yourself on a path that will end in your own ruination.

Hon. Mr. Grossman: Is that everything the UAW said about incentives?

Mr. Breagh: Do you want me to read it to you? You obviously don't read this sort of thing. It says: "Incentives are a costly game, one that we can't win in the long run and a game whose immediate benefits don't carry any guarantees."

Hon. Mr. Grossman: Is that everything they said?

Mr. Breagh: Do you want me to read the whole thing.

Hon. Mr. Grossman: You could send it over to me.

Mr. Breagh: I will.

A couple of other things disturb me. I am not happy with Reisman's report, for a number of reasons. First of all, I guess my expectations were a little high. I felt that Simon, who virtually wrote the auto pact in the first instance and who has maintained an ongoing professional interest in the field, would have come out with something that was a little clearer. In effect, all he says is that the

government of Canada ought to wake up and pay some attention to it; he says virtually little else.

Simon goes on to criticize the government about ad hoc grants: "Ad hoc grants to auto manufacturers to locate in prime industrial areas seriously undermine Canada's regional development objectives." He goes on a little further to say: "The commission recommends that the government try to obtain on a multi-lateral basis (or, failing that, bilaterally with the US) agreements that governments will cease industrial subsidization as it applies to jurisdictions which do not merit special regional development considerations." That, of course, carries with it all of the caveats one might expect from that kind of report.

I think my anger at the Reisman commission is that it didn't do anything. It didn't provide for any change in the status quo. It provided for a little monitoring procedure, which after all is only reasonable common sense. One would think, with something of such major impact as the automotive industry, that governments would at least pay some attention to it.

It always annoyed me, and it still does, that to find information on what's happening in the automotive industry I have to refer to the Congressional Record to read the remarks of some American senator who has presented a brief to a committee of the American Congress. You can't get that kind of information here, you can't get it out of the industry itself, and our own government seems to pay virtually no attention to it.

I think that's simple common sense. Frankly, I can't see anything else that Reisman recommended that is of very much value to that important segment of our economy.

I was interested to hear the minister make some comments earlier about productivity. I would like to relate something that is a little surprising, because it is generally considered that productivity is a workers' problem in Canada—and I noticed that other little sector study that you did didn't do much to change this attitude that Canadian workers aren't very productive.

Hon. Mr. Grossman: What sector study?

Mr. Breaugh: The one you were reading.

Hon. Mr. Grossman: We didn't do that one. You have got to read more carefully. The corporate boardrooms like people who do their homework. You've got to do your homework, Mike. You came in late. You've got to do your homework. The corporate boardrooms will never respect you unless you do your homework. It wasn't our report.

Mr. Breaugh: I don't share your fears of being loved in the corporate boardrooms.

Hon. Mr. Grossman: You brought it up; I didn't.

Mr. Breaugh: That's not one of my little hangups. I can wear a blue-pinstripe suit and carry it off, but—

Hon. Mr. Grossman: You needn't fear it; you never will be. But do your homework anyway.

Mr. Peterson: Boardroom or union hall, what the hell's the difference? You're both in somebody's pockets.

Mr. Breaugh: Thank you, David. That will make interesting reading back home.

Let me offer for your consideration a quotation from a gentleman named Don McPherson, who was formerly the president of General Motors of Canada. He says: "On a value-per-dollar basis, we think our Canadian products are superior. Canada is second to none in terms of automotive technology." He goes on to praise the work force. He says: "The typical GM of Canada employee is among the best in the world. He builds a top-quality product, and this is proven frequently in our corporate-wide index audit." For those of you who may not be familiar with that, it is the little computer card that all GM executives carry in their breast pocket, next to their heart. It shows where their plant is in the GM chain each and every week of the year.

But it establishes once and for all that General Motors in Canada is one of their consistently most efficient operations, and the quality of the workers there is a source of immense pride even for the corporate giants who occasionally take a slight slam at the work force. When it gets right down to it, their production facilities in Canada are second to none, and the quality of the work that is produced here is second to none.

Some American plants have been built in recent years which are more efficient in organizational terms, but they don't have anything better in terms of turning out a better product. They have fewer recalls here. If you go through the plants where they make automobiles in Canada, you will probably see lots of areas for improvement, particularly if you compare them with some modern facilities that they have in Pennsylvania. You can see that we have a little difficulty in competing in terms of providing vehicles at a rate that American production facilities can do. Where they can't beat us is on the quality of the product that is made; it is far better here.

[5:30]

Mr. Peterson: Thanks to the government.

Hon. Mr. Grossman: And the great province of Ontario, no question about it. Labour conditions, great labour laws.

Mr. Peterson: What exactly is your problem? That is what I am trying to figure out.

Mr. Laughren: Sudbury does not have great labour conditions.

Hon. Mr. Grossman: Great labour laws. Look at Bill 70.

Mr. Hall: A point of order, Mr. Chairman, was the meeting to adjourn at 5:30 this evening?

Mr. Chairman: Whatever the wish of the committee is.

Mr. Hall: I am just inquiring in light of the Speaker's reception.

Mr. Peterson: Do you have to go out and do your hair, Jack?

Mr. Chairman: As of 5:30, we have slightly under six hours left in the estimates of the Ministry of Industry and Tourism.

Mr. Peterson: I don't think I can stand it.

Mr. Chairman: I was just going to ask the members of the committee whether they would like to sit tomorrow at 10 o'clock, from 10 to 12:30, and then we will be sitting tomorrow night at 8 o'clock to 10:30. Would that be in order?

Mr. Laughren: Can I speak to that, Mr. Chairman? I am wondering whether or not you can do that? I know committees determine their own sittings, but I am wondering about conflict with other committees, that's all.

Hon. Mr. Grossman: Take it from the deputy House leader, you can't sit in the morning.

Mr. Breaugh: That's what I think. I think it is only tomorrow night. I think that is the only opening.

Mr. Chairman: What is the wish of the committee? Do you want to sit another few minutes?

Mr. Laughren: Why don't we sit until six and then again tomorrow night?

Mr. Hall: It was a special dispensation this afternoon, was it not? What were the rules laid down on that? We might ask the assistant House leader if he can help us.

Hon. Mr. Grossman: Which special dispensation?

Mr. Hall: To sit this afternoon as well as this morning.

Hon. Mr. Grossman: Yes, that was all laid out earlier in the week.

Mr. Hall: Was it to sit certain hours this afternoon?

Hon. Mr. Grossman: Actually we went over this afternoon. It was supposed to be 10 to 12. In fact, it was 10 to 12 and two to six.

Mr. Hall: That is what I am asking, for this afternoon what was the prescribed time by the House?

Hon. Mr. Grossman: Two to six, but we didn't know Breaugh was going to make a speech at 5:15.

Mr. Breaugh: One of the things that has not happened, although it is stated clearly as an intent of the auto pact, is to make much of a move in terms of changing that differential in price. It always is beyond me how one can go to the end of the production line in Oshawa and see by the sticker put on the window where the car is going to be sold. I cannot fathom how you can make it there, ship it to Georgia and sell it for \$1,500 less there than you can in downtown Oshawa.

One of the things you might consider doing—

Hon. Mr. Grossman: It raises taxes to support some of those programs you have been advocating.

Mr. Breaugh: It remains a major problem, it remains a major disincentive, if you want to use that horrible word, to the Canadian industry becoming self sufficient. There is, frankly, no reason for it except that it is the current pricing policy of the industry, that's all. One can't make an argument that it costs you more to make it here. You can't do that. You can't really make much of an argument that, whatever the state of the Canadian dollar, you need more out of a Canadian vehicle sold in Canada than you do out of one in the United States, and it remains one of those little thorns in the side of the industry.

It persists because nobody is doing anything that would indicate the industry ought to change its present policy. It has been carefully documented on a number of occasions over a number of years that there still remains about \$1,500 to \$2,000 on most production vehicles of a difference between what you pay for here than what you pay for the exact same vehicle, the same one made here, somewhere in the states. That poses an immense problem for trying to upgrade the market in Canada.

Interjection.

Mr. Breaugh: Oh yes; that's a cute line, Larry, but I think you surely ought to read funny little things like the Toronto Star, which just finished doing another reasonably

comprehensive survey on the price of vehicles in Toronto and in Buffalo. They have established carefully there that the same vehicle in Buffalo, probably one made in Oshawa, is going to cost you about \$1,500 less.

Hon. Mr. Grossman: We have the statistics here, if you would like them, from Statistics Canada, if you trust StatsCan.

Mr. Breagh: I don't trust StatsCan. The federal Liberals are not trusting StatsCan these days; why the hell should I?

Hon. Mr. Grossman: If you would like the figures at this point, I would be happy to give them to you.

Mr. Breagh: I read that one. I am amazed at reports like that which purport to establish something, and yet all I look at is the sticker price on the window. You can go to the end of the production line in Oshawa or Oakville or Windsor and look at the sticker. The \$1,500 is for real; that tells you whether that car is going to be delivered for sale in the United States or delivered for sale in Canada.

Hon. Mr. Grossman: Is the manufacturer's sales tax on the sticker?

Mr. Breagh: Yes.

Hon. Mr. Grossman: Is that right?

Mr. Breagh: Oh I think no; I think not.

Hon. Mr. Grossman: Would you like to prove not or do you just think not? That is the difference.

Mr. Breagh: Do you think it is? Do you think the manufacturer's sales tax is that much?

Hon. Mr. Grossman: I know you won't dispute this: In 1965 the vehicle factory sales price differential was 16 per cent; by 1976 it was 6.5 per cent, and if in fact you took into account the dollar being what it is, it is in many cases one per cent lower in Canada than in the United States because of the dollar.

In any case, let's just look at the 1976 figure of 6.5 per cent. If you take your normal car selling for—call it \$8,000, whatever figure you want, there is not going to be a \$1,500 price difference on account of production, but because of the manufacturer's sale tax and those things that are added by the various governments.

Mr. Laughren: Are you telling us the entire price differential between the same automobile in the United States and here is made up by taxation?

Hon. Mr. Grossman: I am telling you it obviously differs from state to state and from province to province with regard to the price.

Mr. Laughren: Are you telling us any price difference there would be is made up by taxation?

Hon. Mr. Grossman: Not any price difference. I told you the 1976 price difference.

Mr. Laughren: I well accept the six per cent—

Hon. Mr. Grossman: You will accept the 6.5 figure.

Mr. Laughren: I will, if that is the figure. I thought the figure was nine per cent.

Hon. Mr. Grossman: This year we think it is around nine per cent. In any case, the point I was making was your colleague is talking about \$1,500 to \$2,000.

Mr. Laughren: He is talking about the nine per cent.

Hon. Mr. Grossman: It is \$1,800, nine per cent on a \$20,000 car, unless they are making Maseratis.

Mr. Breagh: Here is an interesting little piece for you to consider. In the Star survey, done in June of this year before the reduction in the tax, they worked out the price with a Toronto Chev dealer and a Buffalo dealer on a Chevy Caprice. I won't run through the options entailed except the retail list price was quoted at \$7,653. They quoted a drive-away price of \$7,000; and according to their survey here, the Toronto price of \$7,000 was 34.6 per cent higher than that offered by the dealer in Buffalo, which was Hunt. It was 49.4 per cent higher if the Canadian price is converted to US dollars at an 11 per cent premium.

Hon. Mr. Grossman: Are you arguing a case on the basis of dealers' quote prices?

Mr. Breagh: How would you argue them?

Hon. Mr. Grossman: Obviously, you have got a lot of things added in from the time it leaves the factory in Oshawa until the time the dealer decides what his particular mark-up is going to be.

In Buffalo, the guy may be willing to accept more or less. In Buffalo, the manufacturer's sales tax may or may not be in effect. In Buffalo, the retail sales tax may be quite different.

Mr. Breagh: That is all well and good to argue from a statistical point of view, and I am leaving you the liberty to do that.

Hon. Mr. Grossman: If you want to deal with the dealer's price, if you want to compare the auto pact at the dealer's price, then that is fine. I tell you, though, that in terms of how everyone else in North America assesses the differential in prices as a factor in manufacturing and assessing the auto pact, I would have thought it rather obvious, you

compare the factory sales price not the dealer's sales price.

Mr. Laughren: Does the factory sales price include options?

Hon. Mr. Grossman: Yes, sure.

Mr. Laughren: No, no, it does not include options; and the difference in price in options between the United States and here is very significant. It is over 25 per cent. Don't give us your nonsense.

Mr. Breagh: The pertinent point that you—

Hon. Mr. Grossman: You don't want to wait for the answer. Floyd is trying to bail you out.

An hon. member: Give him a chance.

Mr. Breagh: The pertinent point you seem to choose not to accept is as a consumer I must buy through a dealer, and so from my point of view as a consumer I am interested in dealer price.

Hon. Mr. Grossman: We are talking about taxing policy, you are not talking about the auto pact, that is all I want to tell you. You are talking about retail sales tax, manufacturer's sales tax—

Mr. Breagh: I want to cover some of that in a moment.

Hon. Mr. Grossman: —and dealer's markup, you're not talking about the auto pact.

Mr. Breagh: If the minister could restrain himself, I'd allow him ample opportunity to answer shortly.

Hon. Mr. Grossman: Your relief pitcher is trying to bail you out.

Mr. Laughren: No, no, he knows the auto pact; he knows the game you are playing too.

Mr. Breagh: You can run your statistics and your StatsCan numbers off, anything you choose, but when I walk into the dealer's showroom I have no choice but to pay the sticker price on the vehicle and that does include the taxes.

Hon. Mr. Grossman: Elect an NDP government in Ontario and all those sales taxes will come down and it will be almost the same price as in Buffalo.

Mr. Breagh: That's right. That brings to mind another interesting little number. I heard you make a statement in the House about this the other day. I haven't seen you or anybody else doing anything about it. There's an interesting number in this cut in the manufacturer's sales tax from 12 per cent to nine per cent. It comes about because you pay that tax when the vehicle leaves the production line.

For General Motors alone, somebody is hanging on the vine to the tune of \$23.8 million, a reasonable enough amount of money, and the government of Ontario and the government of Canada ought to sit up and take some notice of it. If you run that across the industry, and I don't have the estimates from the other auto producers here, that's upwards of \$100 million.

I read with great interest and watched the pronouncements from General Motors on this one. The first report was that, of course, GM would have to absorb that, because these vehicles are all sitting on the lot and there is about \$23.8 million involved. It would seem that the most logical one to absorb it would be the multinational.

From the dealer's point of view, it poses an interesting problem. Why the hell should I, as a consumer, buy a car off his lot that costs me \$180 more than one I can order from him and have produced at the factory?

The dealer has a little problem on his hands. The official announcement from GM was that no, they wouldn't absorb that loss. So who does? If I recall your statement in the House correctly, you were simply begging that when the federal government goes about making these kinds of cuts, they have some estimation of the impact. Somebody is hanging on the vine, and I suggest to the minister it's probably car dealerships across Ontario who are going to have to absorb that.

In some sense they can, because—

Hon. Mr. Grossman: If it weren't a multinational they would have done something else.

Mr. Breagh: I didn't call the government of Canada a multinational, you might.

Hon. Mr. Grossman: No, you were criticizing the multinationals.

Mr. Breagh: I might make that allegation, but I didn't do it.

Hon. Mr. Grossman: You were criticizing the multinationals. I just pointed out the fact that being multinational has nothing to do with it.

Mr. Breagh: You really have this listening problem, I wasn't criticizing the multinationals.

Hon. Mr. Grossman: There was a doubling-up—

Mr. Breagh: I was simply stating the position they put forward from their public relations offices.

Hon. Mr. Grossman: You can have two dinners with your relief pitcher if you're right.

Mr. Breaugh: I think we should take him up on this. Can he afford it?

Mr. Laughren: He can, yes; and I don't want to eat submarines.

Mr. Breaugh: The fact is there is another substantial impact on the economy of Ontario. True, it's distributed across Ontario to little car dealerships; true, they always have considerable latitude in their own pricing policies—there is always a confusing array of prices to any vehicle for sale anywhere; but here is another instance where government, in this case the federal government, being watched hopefully by the provincial government, made a small move that's costing somebody in the economy of Ontario a lot of money and there isn't any relief in sight. In other words, it's car dealers across Ontario who are now going to pay the price for that federal government decision.

It strikes me that's an unreasonable thing for them to do. They should have been far more careful in their examination of what their tax cut would do. Is it fair to ask those dealers to bear the price of that? I think not, and I think there could have been some adjustments made for some lead time on those vehicles which would have absorbed that.

Mr. Watson: Come on in, Frank.

Hon. Mr. Grossman: The Treasurer (Mr. F. S. Miller) is with us. Now is the time to address it. He's talking to an esteemed former member of the assembly.

Mr. Breaugh: He's a bad one to ask, because he's one of those unfortunate, uneducated consumers who got hooked for the extra \$180.

Hon. Mr. Grossman: He used to be in the car dealing business.

Mr. Breaugh: It says something about the province of Ontario when the Treasurer himself gets nailed for an extra \$180, when even he doesn't know. His good friend the Minister of Consumer and Commercial Relations (Mr. Drea) says, "The only weapon in this fight is an educated consumer." When the Treasurer of Ontario doesn't know what the hell's going on, how do the rest of us stand a chance?

Hon. F. S. Miller: It proves the system is honest.

An hon. member: Nobody's perfect.

Mr. Breaugh: Even if the minister is a little dumb.

Hon. Mr. Grossman: Oh come on, the socialists are.

Mr. Chairman: Let's get on with the estimates, please. We're on vote 2202.

Mr. Breaugh: There is a whole field here, in terms of developing new products which might be for sale. We have to recognize that in Ontario we have the facilities, the personnel, the expertise, and though in some cases not all, in large measure the skilled tradesmen to enter into this field and to be productive.

[5:45]

Reisman made some passing comment that he is not about to propose a Canadian vehicle. By that I don't mean the Monarch or whatever new little piece of chrome might go on the front grille, but some vehicle which might be produced in Canada, solely of Canadian design. It strikes me we have never really done that.

Hon. Mr. Grossman: The Bricklin.

Mr. Breaugh: The minister says the Bricklin. I hardly think that vehicle was designed in any sense of the word to be sold in Canada. I have a sneaking suspicion it was never designed to be sold, period, to anybody, anywhere, ever. Unfortunately, the idea has been kind of borne out that way. However there is the possibility of utilizing present facilities and present personnel to perhaps some day produce a vehicle which might be most suitably designed for Canada.

The other thing that's interesting is the continued suggestion that perhaps we ought to go to what in the trade are known as the offshore producers. Those basically are the Japanese and the Germans and the British and the Swedes, and everybody else who produces automobiles. We certainly do have a fixation on the big three producers. I would like to see this ministry become aware that the automotive industry includes many corporations other than just three or four. In fact there may well be some fertile ground in entering into negotiations and providing some wherewithal that might bring to this province some of the advantages these offshore producers have exploited. They've obviously grabbed a share of the car market, but they do not produce vehicles here.

When you are working out a policy which says you want to have a healthy and effective auto industry in Ontario, I think that should not be at the exclusion of other producers. That's a matter I don't see you doing very much about.

I want to note in passing some other groups who have had things to say. One of the things that struck me as strange about the Science Council of Canada's brief on the auto industry was this notion that you ought to have kind of start-to-finish production facilities here. That's an interesting concept,

except that in their terms they were basically, I think, guilty of that fault I just mentioned—looking at the big three producers. I put to the minister a caution, in whatever comments or suggestions you might have to the industry in that regard, that's a dangerous one. It's not beyond the realm of imagination that you find your Canadian and Ontario plants producing vehicles which have an extremely small percentage of the market. That's dangerous from our point of view.

In theory it might be nice to say you go start-to-finish in the production of a vehicle here, that's good; but that's only good if you can be assured of a share of the market. It would not be beyond my imagination to see the big three relegate to Ontario only those vehicles that aren't going to sell, in their estimation.

They guessed wrong in 1974 when they had a fuel crisis in the United States. Their move was to put the production of small, light, fuel-efficient vehicles into the middle American states and to leave in Canada the production of the large vehicles. Oddly enough, for some reason the market did not respond according to their well-founded and carefully-studied plans. People continued to buy the Chevs and Pontiacs and Fords and Chryslers. So, ironically, we maintained a healthy share of the market. That's not to say that at some point in time the company's projections wouldn't be right and we would wind up producing the cars that nobody wanted to buy.

A number of other things are of concern to the automotive industry that I think we ought to be thinking about. One is the production of vehicles other than the normal passenger car. We do not have a major share of that market. We do have some, but in terms of designing, for example, a reasonably safe school bus, there isn't anybody really doing very much in that regard at all.

There has got to be, at some point, a rather substantial percentage of the market there. At some point people are going to start to say, "We're not putting our kids on those cattle pens again. We're going to insist upon a reasonably safe school bus."

When I sat on the select committee that looked into the automotive industry, and particularly the safety of vehicles, we looked at something that was rather ironic: we know the vehicles are basically unsafe to have on the road; and that is not addressing ourselves to whether the brakes work or anything like that, but the design of the vehicle. If you were starting from scratch, the end product wouldn't look much like the current school buses on the road. Oddly enough, we had at

that point one of the best safety records, the accidents just didn't happen.

In the last year, we have had a couple of rather dramatic accidents that indicate that might be turned around. At some point in time there may well be a potential there to develop an automotive sector in that field; or in the large truck field or in the heavy machinery field. All of these are possibilities which I think are deserving of exploration, and all of which are simply to recognize that there is going to be, whether we like it or not, a major adjustment in the automotive industry.

Hon. Mr. Grossman: Better have an incentive program to do that.

Mr. Breagh: In part we may get our fair share on the existing production; in part I think we may not. If this government's only alternative is to provide cash incentives to multinationals who don't need our money, we are going nowhere.

Hon. Mr. Grossman: What is your alternative?

Mr. Breagh: It is going to have to be much more thorough than that. We really do need that research and development to happen here.

Hon. Mr. Grossman: What is your alternative?

Mr. Breagh: If you'd shut up long enough, you might actually hear it.

Hon. Mr. Grossman: If you promise to develop one, I will be quiet for the rest of my estimates.

Mr. Breagh: I doubt it. I'd almost take you up on that for a third dinner.

Hon. Mr. Grossman: I will, because I'll have fainted from shock. So I will be quiet. Go ahead and tell us what you have.

Mr. Breagh: You really do need to participate as a government, because there is a need for some encouragement in the parts sector, in research and development and in seeing that there is minimal dislocation in terms of employees and work places during this transition phase. You are going to have to wrestle with that difficult problem of whether you get involved in incentives; and if you do in what form. It is clear that my position is against the cash incentives at the end of the decision-making process, I don't favour that one.

If you were to help those who need help, basically in the parts sector and in the non-existent research and development sector, then you have some mechanism—ODC is one of them—and you have an opportunity to co-ordinate between the private sector and the

public sector some development of new industries related to the automotive field in this province.

You do have the personnel factor. There is the irony there that skilled tradesmen are a problem because our education system, by and large, hasn't addressed itself to that specific problem; there is a hole to be filled there. I would put to you that your ministry and other ministries at least have the potential to solve that problem without a long-term waiting period. I think you could turn that around in a two- or three-year period and provide those skilled tradesmen.

I would suggest to you that it is certainly possible and probably most desirable, that you do so in a much shorter period of time. In other words, what is the use of having a Ford plant in Windsor if our Canadian citizens, our Ontario citizens, don't wind up getting the jobs? That seems to me to be a rather unfortunate piece of irony. Something needs to be done.

Whether or not you get to the point where you actually put cash on the table, as you have with the Ford deal, all I would plead with you is to get some form of equity out of it. It is not satisfactory to me, as a member of this House or as a taxpayer in this province, that you hope for some recovery in terms of better production in the economy locally, that won't suffice.

I would put to you that there are few people in this society today who would take that as acceptable collateral. You couldn't do it at a bank; you couldn't do it in the private sector; and you certainly shouldn't be able to do it in the public sector. If you are to invest public funds in the private sector, get something out of it.

Hon. Mr. Grossman: Eight thousand jobs.

Mr. Breaugh: You may well get 8,000 jobs, if you had a written guarantee that you will get 8,000 new jobs.

Hon. Mr. Grossman: How many do you think we will get?

Mr. Breaugh: That is a good guess. You don't know and I don't know.

Hon. Mr. Grossman: Do you think we will get 1,000?

Mr. Breaugh: I don't know, and neither do you. The irony is that you would put up that kind of cash without knowing that.

Hon. Mr. Grossman: We know we will get a minimum of 2,600 direct new jobs.

Mr. Breaugh: I don't think you do know that.

Hon. Mr. Grossman: Would you support the incentives if we did have 2,600 new jobs?

Mr. Breaugh: If you had a written guarantee.

Hon. Mr. Grossman: Would you support the incentives?

Mr. Breaugh: Are they 2,600 new jobs?

Hon. Mr. Grossman: Yes.

Mr. Breaugh: I don't know that.

Hon. Mr. Grossman: I asked you a hypothetical question: Would you support incentives if we had a written guarantee?

Mr. Breaugh: You are putting a hypothetical question, and I am asking you the hypothetical questions back. Do you have that written guarantee? Do you know that they are new jobs; or did you just blow that money without really knowing that?

Hon. Mr. Grossman: The answer is there is no written guarantee that there will be 2,600 new jobs.

Mr. Breaugh: That's right.

Hon. Mr. Grossman: But any person who is as familiar with the automobile industry as you allege yourself to be will know that we will end up with 2,600 direct jobs, and at least 5,200 indirect jobs. I have answered your hypothetical question, would you now answer mine. If we had a written guarantee for 2,600 new jobs, would you support incentives?

Mr. Breaugh: No, as simple as that.

Mr. di Santo: That's a childish question.

Hon. Mr. Grossman: Let's just clarify it, because you were trying to fudge it a little bit.

Mr. Breaugh: Oh please, I rarely get accused of fudging anything. That is not really the ideological issue which you attempt to make it into; it isn't. That is just plain stupidity. You can't find a businessman in this province, nor a socialist in this province, who would invest that kind of money without some form of direct, identifiable collateral.

Mr. Laughren: Or a socialist businessman.

Hon. Mr. Grossman: Look at all the ODC loans in your riding.

Mr. Laughren: Oh, not this nonsense again!

Hon. Mr. Grossman: How do you feel about those?

Mr. Breaugh: How about all of them? One you have done.

Hon. Mr. Grossman: Oh, don't say that. You didn't do your homework because we have got it here. You do that, Mike.

Mr. di Santo: That's not the point.

Mr. Breaugh: Get it out; this is the third dinner.

Mr. Chairman: It is the point.

Hon. Mr. Grossman: The red pages. Here it is. I'll give you the total figures. Since 1972 we have got about half a million dollars.

Mr. Breagh: Why don't you go back to 1867, for crying out loud?

Hon. Mr. Grossman: Half a million dollars. I think that is a lot of money to the taxpayers of the province.

Mr. Breagh: One loan in my riding last year.

Hon. Mr. Grossman: All right, it was \$125,000 to Traveliner Company Limited. Should we have got shares from them?

Mr. Breagh: Yes.

Hon. Mr. Grossman: Okay, I'll let them know that.

Mr. Breagh: If you made it as a loan, that is a slight difference from a grant. A loan is something that you attempt to collect your money back on, as I understand it. Pardon my simplistic view.

Hon. Mr. Grossman: There was a subsidy involved. Would you have got shares from them?

Mr. Breagh: Sure, why wouldn't you?

Hon. Mr. Grossman: Is that your party's position?

Mr. Breagh: Whenever you offer cash on the line to anybody I think it quite reasonable that you get some form of equity out of it.

Hon. Mr. Grossman: Is that your party's position?

Mr. Breagh: That is my position.

Hon. Mr. Grossman: I see. How about for farm loans? How about when there is assistance to farmers?

Mr. Breagh: What are you getting out of it? What kind of assistance?

Hon. Mr. Grossman: Would you suggest we get an equity in the farm?

Mr. Breagh: What kind of assistance are you offering?

Hon. Mr. Grossman: There are all sorts of direct financial subsidies and assistance. Would you suggest we get some equity in the farm?

Mr. Laughren: What is wrong with a sheep or a cow or a pig or something like that?

Hon. Mr. Grossman: Just tell me, I want to know the answer.

Mr. Breagh: I think, Mr. Chairman, we have reached an ideological difference.

Hon. Mr. Grossman: No, we have reached a difficult spot for you, that is what we have reached.

Mr. Breagh: Oh no.

Hon. Mr. Grossman: And your relief pitcher doesn't have an answer on this.

Mr. Breagh: I don't think that is difficult for me at all. I don't think it is difficult for any sensible person in the province of Ontario to say that when you give \$26 million away, common sense says you get something for your investment.

Hon. Mr. Grossman: How about \$125,000 to Traveliner Company?

Mr. Breagh: Oh, you did that.

Hon. Mr. Grossman: Shall we get some equity from them?

Mr. Breagh: I think that is a loan, as a matter of fact.

Hon. Mr. Grossman: It is a subsidy. Shall we get some money from them?

Mr. Breagh: It is a subsidy?

Hon. Mr. Grossman: You are backing off now, Michael. As the clock runs out you are backing off. You are a little worried now. Floyd is giving you a little shot in the side. Be careful now.

Mr. Peterson: If I tell a lie can I have a free dinner too?

Hon. Mr. Grossman: Whose side are you on?

Mr. Peterson: Either side; whoever buys me dinner, I don't care.

Mr. Watson: You can't get the dinner until you tell a lie.

Hon. Mr. Grossman: I hope you will be back tomorrow to hear my rebuttal on the auto pact tomorrow night at eight o'clock, in view of your concern about the industry. Will you be here?

Mr. Watson: I thought tomorrow was being devoted to tourism?

Mr. Breagh: I should point out, because I noticed that this minister was famous for his cheap shots, that I will be debating the standing orders at eight o'clock tomorrow evening. If you would like to await my presence before you reply I'd be more than happy to come.

Hon. Mr. Grossman: Hardly. I'll wait for another time.

Mr. Chairman: We are having a bit of a problem here because we have two and a half hours left tomorrow night and we have another five votes to go through.

Mr. Laughren: We'll get there; no problem.

Mr. Breaugh: Why doesn't he just give a grant to all the members on the committee and buy them off?

Hon. Mr. Grossman: Because I'd want no equity in you.

Vote 2202 agreed to.

Mr. Chairman: We will go on vote 2203, trade development program, tomorrow night at eight o'clock.

The committee adjourned at 5:59 p.m.

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Grossman, Hon. L.; Minister of Industry and Tourism (St. Andrew-St. Patrick PC)

Hall, R. (Lincoln L)

Havrot, E.; Chairman (Timiskaming PC)

Laughren, F. (Nickel Belt NDP)

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Peterson, D (London Centre L)

Riddell, J. K. (Huron-Middlesex L)

Watson, A. N. (Chatham-Kent PC)

From the Ministry of Industry and Tourism:

Garland, M. L., Executive Director, Industry and Trade Division

Wessinger, J., Director, Industry and Trade Analysis Branch



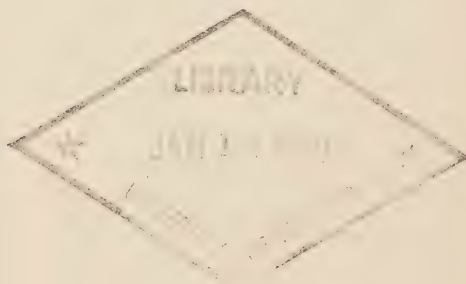
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Resources Development Committee

Estimates, Ministry of Industry and Tourism



Second Session, 31st Parliament

Thursday, December 14, 1978

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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LEGISLATURE OF ONTARIO

THURSDAY, DECEMBER 14, 1978

The committee met at 8:15 p.m.

ESTIMATES, MINISTRY OF INDUSTRY AND TOURISM

(concluded)

On vote 2203, industry and trade development program:

Mr. Chairman: We now have a quorum. When we adjourned last night, we had completed vote 2202. We're now on vote 2203, industry and trade development program.

Mr. Eakins, did you want to make some comments on vote 2203?

Mr. Eakins: I'll pass on 2203.

Mr. Chairman: Is there any discussion on vote 2203?

Mr. Riddell: It seems to me, Mr. Chairman, that the minister indicated that he would be prepared to spend all of Thursday evening on tourism.

Mr. Chairman: Mr. Riddell, tourism is in vote 2204. If we can dispense with vote 2203, we could spend some time on tourism.

Is vote 2203, items 1 to 4, carried?

Mr. Makarchuk: Hold it. This is industry and trade development, is that right?

Mr. Chairman: That's right.

Mr. Makarchuk: The minister answered a question yesterday in the House regarding the fact that Hydro purchased 1.6 million metres of tubing. He said in effect there was nobody in Canada who could provide tubing or that Hydro couldn't find anybody who could do that. I just wonder what examination has been done to see if there are any tube mills in Canada that can fabricate this material. It seems to me that our state of technology, although not that sophisticated at times, certainly can produce tubing. Is it a case that the alloy itself or the strip metal which goes into making tubing is only available from Inco and that they couldn't get it from Inco for a Canadian firm to produce it? Why was it that Hydro had to buy it from Huntington, West Virginia?

Hon. Mr. Grossman: I can't tell you exactly but I think I indicated to the House that I would inquire into Hydro's reasons for not buying it here and notifying us, reporting

carefully on the statement, on the information I have been provided by Hydro.

Mr. Laughren: You might find out why Inco fabricates it there and not here.

Hon. Mr. Grossman: If you want to ask the Minister of Energy (Mr. Auld) tomorrow, that's fine.

Mr. Makarchuk: It seems to me that if you're going to have any kind of a Shop Canadian program, which you festooned around here so carefully, perhaps you could start with Canadian firms, specifically with firms like Ontario Hydro. Why are they not buying pipe in Canada?

Hon. Mr. Grossman: I thought I had indicated yesterday that Ontario Hydro did have the Shop Canadian program and that they had, in fact, tendered for preferential purchasing. That's their policy. You may have an instance in which you believe that the stuff was available in Canada and they didn't buy, and in that case, all I can say is that you have to take it up with the Minister of Energy. I was reporting on whether or not they were following the practice of shopping Canadian. I reported to you that I understand they are and that this was no exception of that policy. If you think it was you'll have to take it up with the Minister of Energy.

Mr. Makarchuk: Then what clout do you have in your ministry in terms of trying to impose some kind of a sanction or force some government agencies to follow your own policy for that matter; your own agencies to follow your own governmental policy?

Hon. Mr. Grossman: I can only say to you that we asked the question. We got the information back from Hydro.

Mr. Makarchuk: Yes, but you didn't tell me anything.

Hon. Mr. Grossman: I reported back to you that I have inquired after the policy, that they had answered the question.

Mr. Makarchuk: That's right. So they gave you a press release and said we bought this through Noranda who, in turn, bought it from Inco.

Hon. Mr. Grossman: It's true we did not send our investigators in to investigate whether Hydro was telling the truth. Perhaps you might want us to do that.

Mr. Makarchuk: No, I don't question the fact that Hydro is telling the truth that they're buying it from some place else. What I'm concerned about is the fact that you are the minister in charge or responsible, or at least you say you are responsible for increasing Canadian manufacturing or secondary manufacturing where we need the jobs or where the jobs can and should be created. Here, in effect, you have a government agency that buys tubing some place else and you really don't care. All you say is that you inquired and they said we got it over there and that's it. Where's your clout?

Hon. Mr. Grossman: You're telling me that they could have bought the tubing. Do I understand you saying they could have bought the tubing here?

Mr. Makarchuk: I don't know. I'm just questioning it. I feel that if we can produce reactors we can probably produce tubing in Canada.

Hon. Mr. Grossman: I think even your colleague sitting to your left will tell you that just because we produce reactors doesn't mean that we can economically produce a lot of other products.

Mr. Laughren: Don't ask me to bail you out.

Mr. Makarchuk: There are pipe mills and there are tubing mills in Canada, and what I'm concerned about is that somehow, some place, you should be able to have some idea of what industries are available in Canada and what manufacturing is here and whether they could, in fact, produce it or not. If they can't, why not? Perhaps it might be worthwhile for you to investigate some of these things. We produce the metal and we can certainly alloy it and we can certainly form it into pipe. That's not a complicated technological operation.

Hon. Mr. Grossman: Perhaps Mr. Garland might be able to help you with that.

Mr. Garland: The understanding we had is that it has a nuclear application so the basic material, or the basic tube that's formed came from the American operation and then they fabricated it further in Canada. It has the precision and requirements that goes along with nuclear capability, which tolerances are far closer than that used with ordinary pipemaking or drawing of pipe. So it is a peculiar application, and we've had the assurance from the aluminum company that they are considering the transfer of that technology to the operation in the Canadian scene.

Mr. Makarchuk: If you're going to transfer the technology you would have to start by perhaps insisting that Hydro should perhaps look into the future, that we are going to be buying tubing, that there is a demand for this kind of tubing and that perhaps we could try and work with our industries to see if this can be produced in Canada. I don't think the technology is that complicated, and I admit you perhaps have tubing mills that could not produce the close tolerance of pipes but, on the other hand, it's not that complicated a technology to have. It's a matter of having the right equipment that forms the tubing. That's all that's really required in this case.

Hon. Mr. Grossman: Mr. Garland has reported accurately as to what the situation was at the time of the purchase. We now understand that Hydro is working with Noranda to develop a capability in Canada for processing the material through the next three phases.

Mr. Makarchuk: I'm glad that Hydro is doing it, and Noranda. What are you doing to try to ensure that you get this kind of wedding of various agencies and producers in the country to see that we get those secondary jobs?

Hon. Mr. Grossman: If they aren't doing it, it is my fault and if they are doing it, I had nothing to do with it.

Mr. Makarchuk: No, if they aren't doing it, perhaps you could move in there and while you're at it—

Hon. Mr. Grossman: I just said they were doing it.

Mr. Makarchuk: We are on the subject, Mr. Minister, of industrial development. A lot of audio-visual equipment used in our schools and universities could be produced in this country. What are you doing to ensure that Canadian manufactured goods are being bought by the colleges and universities, which we finance out of the tax dollar, to ensure that we have those secondary jobs in Canada?

Hon. Mr. Grossman: I'm really sorry you couldn't make the estimates all day yesterday or Tuesday night because we got into this in quite good detail.

Mr. Laughren: We're still on the same vote.

Hon. Mr. Grossman: I quite agree, Mr. Laughren, it's still the same vote. But it is a repetition of everything we went over in an earlier stage and I did want to spend this evening on tourism.

Mr. Laughren: No, no, we didn't talk about audio-visual equipment in the schools. Answer the question.

Hon. Mr. Grossman: You're quite right and if that's the way your colleague wishes to use the balance of the estimates then we can go over it.

Mr. Makarchuk: I don't intend to monopolize the time.

Hon. Mr. Grossman: I now will deal with audio-visual equipment in the schools.

Mr. Hall: Mr. Chairman, do I have the floor on a point of order? As I understand it, we've got two hours and 10 minutes left to finish this minister's estimates. Is this not the case, Mr. Chairman? Do we want to screw around or do we want to get involved in the industry, tourism, a lot of people consider important? We've had this dialogue, Mr. Chairman. I suggest you exercise your authority and move along and prorogue these other votes.

Mr. Makarchuk: I just raised a couple of items. One descends from an answer given to me by the minister and the other one was an example of lack of action in his department. I just asked some questions. I think I'm entitled to do that, despite whatever it is that bothers him.

Mr. Chairman: The minister answered your questions, Mr. Makarchuk. Is there any further discussion under 2203?

Mr. B. Newman: I want to ask the minister about Toledo Scale, a division of Reliance Electric. You may not know, Mr. Minister, but your officials do, that the Toledo Scale concern in the Windsor area is supposedly manufacturing scales, the computer type of scales, as the others have now gone by the wayside. They essentially assemble in the Windsor plant, they don't manufacture, although there are odd parts manufactured there. Your officials have looked into the issue and they're quite familiar with the thing.

I'm suggesting to you, Mr. Minister, that possibly we could require labels on such machines indicating the Canadian content in exactly the same way clothing and yardgoods do—60 per cent polyester, 20 per cent wool and 20 per cent cotton. Is that suggestion feasible? That way, we would encourage industry to do more manufacturing in Canada, rather than just assembly.

Mr. Laughren: Answer the question. Don't tell him he is being repetitious either.

Hon. Mr. Grossman: He's not, he's being constructive. But his party didn't get deci-

mated in a by-election this evening as did yours.

Mr. Laughren: Neither did we.

Hon. Mr. Grossman: Well, you did worse than last time. It was a seat you were going to win, as I recall your predictions. In any case, that accounts for Mr. Makarchuk's humour.

Mr. Laughren: Always another day. When you are a socialist you have a long-run view of politics.

Hon. Mr. Grossman: And this evening, very long run.

That is a valid concern and is something that might be a logical extension of the labelling in conjunction with the Shop Canadian program. It has some problems to it, in that you're going to get into a situation where some industries would complain that every time they change the content of a particular item—we don't know all the items that we're talking about—they would have to change their label. It would be one of those things that no doubt industry would consider to be over-regulation or too much red tape.

However, it's a valid concern and we're working with sectors of industry, the Retail Council of Canada, manufacturers and so on, to try to find an adequate way to resolve that very problem.

There's no question about it, we have a definition for what qualifies as a Canadian-made product. It is a fair test. But I think you're quite right. If we're going to strive for the goal we're looking for, the more guidance we can give to the consumer, the better motivation it is for the producer to do more than just assemble. We're looking into it.

Mr. B. Newman: I raise this issue, Mr. Minister, because a fellow by the name of Doug McIntyre, I think it was, brought it to the ministry's attention and also to the attention of the federal officials. Poor Doug sacrificed his own life in an attempt to really get more Canadian content in that. He passed away fighting on this issue. Mind you, he was so dedicated to it that he developed a heart condition, I would assume as a result of his deep concern.

I understand Toledo Scale labels its goods manufactured in Canada or made in Canada. Some percentage may be made in Canada. I think it's mislabelling.

Hon. Mr. Grossman: Mr. Garland is familiar with it and perhaps he might address it for you.

Mr. Garland: It is difficult to define made in Canada. If you examine what the CMA,

which represents all these industries, considers is Canadian content and value added, even in looking at the fine print it's very difficult to delineate.

Generally 51 per cent is assumed to be the cut-off point—anything over that is considered made in Canada. Whether “made” means just assembled, Mr. Newman, I don't know. I would think it is. If it's assembled, it's considered fabricated. There are a number of definitions and as part of our program here, we've been working with the CMA to try and clarify the exact meaning and understanding so we can all have a common base.

Mr. B. Newman: Instead of simply saying made in Canada, could the label not indicate it is made in Canada and include the percentage made in Canada and the percentage assembled in Canada, so at least the Canadian knows when purchasing that item that some portion is actually produced, manufactured, not only assembled in Canada?

I know there are ramifications and I don't assume that it's a simple problem to resolve. But if we're going to attempt to develop more jobs for Canadians, we're going to have to insist on some changes. I'm glad to hear your officials are looking into it and I hope they can find an answer to a complex problem. It is not a simple problem.

Vote 2203 agreed to:

On vote 2204, tourism development program:

Mr. Eakins: There are just two items from 2203 which are tourism items and which I might have raised earlier. Tourism is involved in this too, Mr. Minister, and you should have the answer. I suppose it's one that you're not involved in too much.

First of all, how is the Paris office doing and, secondly, would you comment on the appointment of the agent-general in London? Whoever makes the appointment, you, your government, or the Premier, does not encourage the appointment of people in your own ministry who are very much aware of and involved in the industry and tourism sector. It would be an encouragement to them. You have very capable people sitting around this table who could very adequately fill that job. It's unfortunate that it becomes a political appointment rather than being someone who is greatly involved in the ministry.

Hon. Mr. Grossman: Did you ask about both Paris and London?

Mr. Eakins: Yes. Why aren't people from the ministry encouraged to seek an office such as the agent-general because they're most capable? Secondly, would you comment

on how the Paris office is operating, since it's only been open a short period of time?

Hon. Mr. Grossman: Fred, do you want to talk about how the office is doing?

Mr. Boyer: With regard to the tourism component of the Paris office, we have so far failed to find a sufficiently qualified person to fill that job. One of our officials has just come back from Frankfurt and Paris with a short list of candidates for the Paris tourism job.

[8:30]

Mr. Eakins: Who is operating it at the present time?

Mr. Boyer: There are only—sorry, I shouldn't say only—there are industry and trade personnel there.

Mr. Eakins: From your own ministry?

Mr. Wilson: Yes, sir, there are two. Mr. Vita Finzi, who is resident in Brussels, is the acting head of post in Paris and Mr. Decent was appointed this summer as a development officer. There are two industry and trade development people actively operating out of Paris.

Mr. Eakins: Have you any indication of the effect of the tourism trade since more people from Europe are coming to Canada?

Mr. Boyer: Yes, we have. I can't give you a precise figure for France in 1978, but we can say that offshore business from western Europe and from Japan is up in revenue terms some 42 or 44 per cent in 1978. France is the number three country in terms of offshore value. Number one is the United Kingdom, number two is Germany, number three is France, number four is Japan.

Hon. Mr. Grossman: With regard to what we would call the key position in Paris, it hasn't been filled because we are awaiting the French government's approval to have someone designated as agent-general. We need the French government's approval because it's a semi-diplomatic job. Therefore, nothing will be done until we get that approval which, by the way, we hope to have this coming year. When we have that, we'll make another outstanding appointment.

Mr. Laughren: I hope you don't pay these guys above the minimum wage as an incentive over there.

Hon. Mr. Grossman: I shouldn't say this because they'll find out I said it, but as a matter of fact, they're not very well paid.

Mr. Laughren: Ross DeGeer is not very well paid?

Mr. Makarchuk: I should point out the comment made by the federal auditor. He said if you pay peanuts, you get monkeys.

Mr. Chairman: Mr. Eakins, did you have further questions?

Mr. Eakins: Yes, I was waiting. I was wondering if the minister was going to respond to the question about the agent-general.

Hon. Mr. Grossman: The agent-general in London? I'm sorry, rephrase the question for me.

Mr. Eakins: Pardon?

Hon. Mr. Grossman: Was the question why did we appoint Mr. DeGeer?

Mr. Eakins: Yes. Why did you not encourage someone from your own ministry to apply for that particular office, people who are involved from day-to-day with the industry and tourism aspects of the government of Ontario?

Hon. Mr. Grossman: Appointments such as the agent-general position, which is a semi-diplomatic one, are not closed to anyone in the ministry or elsewhere. That sort of job is open to anyone anywhere. Obviously, just in sheer numbers, there are a lot more people outside the ministry than inside the ministry and that opens up a wider range of possibilities for appointments to that job. I suspect you wouldn't quarrel with the capabilities of any of the last three or four agents-general who have filled that job. By the way, Mr. DeGeer is doing just an excellent job.

Mr. Eakins: I just want to place on record that I think you've got very capable people in your own ministry and it would be an incentive to them to think that at some time they could reach these posts. They should be encouraged by appointments.

Mr. Laughren: How much do they get paid?

Mr. Peterson: Who would want that job?

Hon. Mr. Grossman: May I say that we are always, and especially at this particular time, speaking to people inside the ministry with regard to their willingness or desire to accept one of the special foreign postings. Not everyone wants to move his family there and so on. Next month we will have all our foreign officers back here in Toronto to spend some time with us, exchanging views and so on at our annual session and I will be spending time with them. At that time, we will be seeing which of them might want to come back here and at the same time, we will be continuing some discussions we've had with some of our staff here to see if any of them are

interested in moving up to one of those positions.

Mr. Eakins: I just want to say then I hope in the year ahead your ministry will give a much higher profile to tourism than it has received in the past, and especially with the state of tourism today and what it means to the economy of the province in regard to the number of people who are employed—some 400,000 people—and to the fact that it means about \$5.8 billion to Ontario.

Again, I want to say it's one ministry I don't think should be hidden under the shadow of other ministries, and I hope you will give it a much higher profile.

My concern has also been expressed to you by the Ontario Chamber of Commerce in its brief to you when it said: "As is evident from this brief and from the federal task force report, we are concerned that, despite its importance within the economy, tourism is not considered an industry in the same way as others and, as a result, has not had the benefit of an integrated policy as regards its taxation and development. We suggest the government of Ontario move to correct this situation, and the task force report provides a detailing of the areas which are in need of attention."

I do hope that in the coming year your ministry will give greater prominence and importance to the tourism sector.

Hon. Mr. Grossman: May I just interrupt to say that I saw that portion in their brief. I must say that of all the industries, including, as I pointed out the other night, the automotive industry, which is a larger industry—it's the only one that's larger than the tourism industry and it doesn't have a ministry that is specifically pointed towards it; obviously those responsibilities for the auto industry fall within my ministry—I think it's worthy of note that we have made the travel industry a special industry by naming this ministry as the Ministry of Industry and Tourism.

While they may think we don't do enough, and indeed, I have indicated I think we can get a higher profile for the tourism industry and do better, I do have to say that I would take some exception to someone suggesting we don't treat it as a special industry; indeed, we do treat it as a very special industry.

Mr. Eakins: Probably the chamber of commerce feels—and I feel this way too—that perhaps it hasn't been evident in what you've been doing. When the automobile industry got into some trouble some time ago, there were some incentives to assist in the purchase of automobiles. We had the first-time home

buyers' grants. We have had stimulation in other areas.

When you consider the little bit of stimulation you've given the tourism industry, I think that is why the chamber and other people feel it has not been given the prominence that it deserves. Considering that it's a \$5.8-billion industry in Ontario, together with the employment factor and the fact that we are now at a deficit of something like \$600 million, and the only stimulation it has received is the removal of the accommodation tax until the end of 1979, which is a mere \$30 million, perhaps that is one reason we feel this way.

There are obvious things you can do for the tourism industry which will remove it from a disadvantaged position. While you didn't think the other evening that the removal of the 10 per cent sales tax was very significant, at least you should move it down to where it's in line with the tax you charge for other items. This is a simple thing, and I don't think it should take any effort at all at least to show that tourism is important to you by not taxing it beyond other areas. That's probably why the chamber and others feel it has not been given the prominence it deserves. It hasn't had the stimulation. You might comment on that.

Hon. Mr. Grossman: On the question of alteration of the 10 per cent sales tax to seven per cent, anything that can be done to lower the costs of travel and accommodation in this province would be somewhat helpful.

As I was mentioning the other night, and I believe this to be true, the steps you take in reducing those costs should be the most meaningful possible, particularly since you are creating a bigger deficit. You have to find the money somewhere in the provincial budget.

I'm one who will fight very hard to get as many tax breaks and as much direct money as possible from the provincial budget for tourism. In doing that, though, I would like to be able to go to the Treasurer for the really meaningful changes that might accomplish more than a change which will say to the Treasurer, "I don't know what the cost of this change that you are recommending would be but I know the net effect would be to change the tax on a \$10 meal by 30 cents." I don't think a tax change which saves you 30 cents on \$10 is going to make a marked impression. It might make a marked difference in terms of—

Mr. Eakins: Why is it 10 per cent in the first place?

Hon. Mr. Grossman: That, obviously, is a question you should be asking the Treasurer. If you are asking me whether I would rather see seven per cent—

Mr. Eakins: But that's where you should be fighting for the tourism industry; to show that tourism is just as important as any other industry. This is the point that we are making. It's not the 30 cents. It's the fact that it should be treated on the same basis as others.

Hon. Mr. Grossman: On the other hand, obviously this ministry has been somewhat successful in those arguments in the past vis-à-vis the tip differential in minimum wages. Quite clearly the tourism industry is, in fact, having a voice inside the government.

John, the only point that I make is this: where we are looking for tax measures, where we are looking for money to be applied from the consolidated revenue fund of this province to the tourism industry, I really will want to be able to go with as much credibility and as much integrity as I can. When I begin by saying, "Frank, it is really important for you to save us 30 cents on a \$10 meal," then I may not have as much credibility next time; or on item two on my agenda, which may be for something more substantial.

For example, obviously the time is coming in the next calendar year when we are going to have to deal with extension of the accommodation tax suspension. I believe that you have to have some credibility when you go for that. I want to make it quite clear on the record that I think it would be great if it were seven per cent. On the other hand, as with everything else, taxation policies, revenue raising, and so on, you just have to look at the return on what you are talking about.

Don't forget that we're moving it down from 10 per cent to seven per cent. It would cut right across a lot of sectors where, in fact, it doesn't involve the tourism industry. Wherever you went for dinner tonight, you would have gone, anyway, and you did pay the 10 per cent. Whether it is 10 per cent or seven per cent wouldn't make any difference in that particular decision. It's simply that I want to be able to go, when I do go, with valid arguments and as much credibility as I can. You can't go out to the can too often.

Mr. Eakins: I agree with you. I certainly don't use the difference of the seven to 10 per cent as the major issue. I simply pointed out, at the start, that it was one of the obvious things that could be taken care of very quickly. I'm also interested in knowing your long-range plans for assistance to the tourism industry. I certainly did not want

to imply that the three per cent was one of my major concerns. I just felt that these were the obvious things. I was concerned about the fact that, in many areas, tourism has not received the stimulation that other industries have had; that the accommodation tax cut was perhaps the first major support of the tourism industry and then, until 1979, it was a total of only \$30 million; whereas other areas have had a great deal of stimulation.

If you have some thoughts on other areas, I would be glad to hear about them—like the liquor industry, for example. The liquor industry is very concerned as to its purchasing costs.

Hon. Mr. Grossman: You will recall that it was this minister, wearing another uniform, who froze liquor prices for six months.

First of all, I should point out the dollars involved. When we talk about adjusting tax figures, I would like to refer you to the estimates in terms of what we are spending on tourism. In 1977-78, the figure was \$10.5 million. In this current year, 1978-79, that figure moved up to \$13.5 million, a very substantial increase. Our proposal for 1979-80 will be to move it up another \$1.2 million to \$14.7 million. That's moving up from \$10.5 million to \$14.5 million in two years. I think that's pretty substantial evidence of the emphasis we put on the tourism industry.

Mr. B. Newman: That's only the inflation factor you are adding for next year.

[8:45]

Hon. Mr. Grossman: Let's remember the government in almost all other areas is trying to get down to about five per cent for next year. With restraint there are many areas of this government that are coming in flat, but there sure aren't many that are moving from \$10 million to \$14 million in two years. Certainly there are not many branches of this ministry, if there's any other branch of this ministry, which have had that substantial increase. That's almost a 50 per cent increase, from \$10 million to \$15 million in two years—an incredible increase. A major part of that money from 1977-78 to 1978-79 was an increase from almost \$7 million to \$10 million in tourism marketing development. Again, that will be moving up in this coming year.

You asked about some specifics—

Mr. Eakins: Your figures naturally have to increase substantially because of the problem we are having with tourism. Up until 1975, there was only about a \$250 million spread in our plus and minus in tourism. That has gone up considerably in just about three or four years, from \$250 million to \$1.8

billion, and Ontario's share is \$600 million. It is only natural you are going to have to give an infusion of some funding there.

Hon. Mr. Grossman: Mr. Eakins, while you can argue it is only natural we give the money there, I have to tell you that my colleagues and yours, almost everyone in this room, has argued just as articulately for many other areas of the economy. Very few if any I can think of off the top of my head have moved up almost 50 per cent in two years.

Mr. Eakins: But you haven't had very many hard fights on behalf of tourism.

Hon. Mr. Grossman: Really, I don't want to spend a heck of a lot of time arguing as to whether \$10 million to \$15 million is enough money. I must tell you I think we've done a pretty good job. I think the figures are there. The record for tourism is better in Ontario than in any other province in this country, so obviously our efforts in this regard must have been at least as good if not better than the other provinces.

While it is always easy to argue, especially in opposition, that it is not enough money, I can assure you I will be reminding you and others that you were sitting here tonight arguing that an increase of 50 per cent in the tourism budget is not enough and we should be spending more and more. That's great for tourism. I think we are spending a heck of a lot of money.

I am no different from any other minister, John: I would like to get more and more money for all of my programs. Any ministry that can say to its client group we have increased by almost 50 per cent your funding during this very severe time of restraint, is serving its client group pretty well.

Mr. Riddell: You're not spending the money, you are investing it.

Hon. Mr. Grossman: I quite agree. I tell the Treasurer (Mr. F. S. Miller) that all the time.

Mr. Eakins: There is one area I would like to discuss that I think is very important for tourism and it doesn't cost a cent. It is an area you have suggested is from another ministry. I wonder if you could tell us generally what your ministry is doing to co-operate with the other ministries. This has been one of the problems, because 14 ministries are involved with the Ministry of Industry and Tourism and the administration of areas affecting tourists.

For example, last year, when there was a change in the highway signs and signs to tourist resorts, the Ministry of Transportation and Communications did not consult in any

way with the people out in the field who were involved with tourism. There is a total lack of co-operation among ministries. Regardless whether it is another ministry, I think there should be close co-operation with your ministry.

Hon. Mr. Grossman: I will ask Mr. Boyer to talk about the interface with other ministries because Fred is the one who does most of that interface for us. But before I do that I should point out we are currently working with MTC with regard to several problems. One of the key ones, as far as I am concerned, is the problem of the facilities available along highway 401. So there is that sort of joint co-operation going on right now.

Mr. Eakins: Of the service centres?

Hon. Mr. Grossman: That's correct.

Mr. Peterson: On that subject, what are you up to?

Hon. Mr. Grossman: We are working with MTC—

Mr. Peterson: Doing what?

Hon. Mr. Grossman: To deal with all of those problems, such as the availability of information, the quality—

Mr. Eakins: Upgrading of service?

Hon. Mr. Grossman: —of washroom facilities, the quality of the dining establishments, and so on.

Mr. Makarchuk: How about the price of gas?

Hon. Mr. Grossman: We are discussing that with them, as well.

Mr. Makarchuk: That is a very important point to discuss with them because the price in Canada and in Ontario itself should be somehow reconciled.

Mr. Peterson: Are you considering adding more locations? For one section on 401 there is nothing for 100 miles.

Hon. Mr. Grossman: I can't tell you how important it is, but there is a joint group working with my ministry and MTC on all of those matters.

Mr. Peterson: It really is quite disgraceful.

Hon. Mr. Grossman: I am not happy with the situation on 401, I want to tell you that as baldly and as clearly as I can. I think all of those facilities on 401 present problems. They are not satisfactory to me from a tourism point of view.

Mr. Peterson: MTC has control of location leases. They were tied into the price of gas. sandwiches"? Do you or do they or is it correct.

Mr. Peterson: Has anybody got regulatory authority to walk in and say, "I don't like the

prices you are charging for your tuna fish sandwiches"? Do you or do they, or is it just moral suasion?

Hon. Mr. Grossman: I understand that control over those prices is not determined under the leases. I further understand that the leases are either coming up for renegotiation or are currently being renegotiated. Perhaps my colleague, the Minister of Transportation and Communications (Mr. Snow), could help you a little bit on that subject.

Mr. Peterson: So you just function in an advisory capacity.

Hon. Mr. Grossman: No.

Mr. Peterson: You are just throwing in your three cents worth.

Hon. Mr. Grossman: We serve in an advisory capacity in the sense I don't sign the leases, so all I can do is try to muster a joint government effort to improve the situation.

Mr. Peterson: Obviously, if you are going to discussions with these guys, you have a ministry point of view. Is your ministry point of view that it should be open to more competition? Are you pushing for tighter regulations of the facilities and the food service and stuff like that?

Hon. Mr. Grossman: I am only going to answer the question to this extent. We are unhappy with the situation regarding prices, services, quality of food, the washrooms and the number. Other than that, it is fairly satisfactory.

Mr. Makarchuk: There is nothing really left then, is there?

Mr. Peterson: It is my respectful view that you should do a lot more. I think you are sadly deficient. I had the opportunity to travel in Quebec this summer, and my, they are impressive. There must be something every 20 or 30 miles on average. It is really impressively done and well-kept, with a sort of historical façade, nice campgrounds and picnic grounds. They are really quite a pleasure.

It is starkly noticeable when you cross the Quebec-Ontario border. You can starve to death if you get stranded because you are so far from civilization along highway 401. I suspect it would be commercially viable to open up more outlets. I assume the only argument on the other side is the aesthetics. It gets too cramped up with neon and stuff like that. I personally wouldn't be offended by that, nor would I be offended to see more off-the-road facilities at the exchanges.

Hon. Mr. Grossman: Neither would I. I wouldn't be offended by either of those.

Mr. Peterson: This is something on which we have had the odd discussion with the Minister of Transportation and Communications in the House. The gas prices are offensive; they really are. Probably my simple solution would be to open it up to a heck of a lot more competition.

Hon. Mr. Grossman: As I say, this is part of the entire discussion that is going on right now.

Mr. Peterson: We are with you.

Hon. Mr. Grossman: That's good to hear. Do you think they will need an environmental assessment over here for new gas stations?

Mr. Watson: Your critic spent considerable time on that in the Transportation and Communications estimates.

Hon. Mr. Grossman: Perhaps Mr. Boyer can answer the question now with regard to the interface.

Mr. Eakins: There are involvements with other ministries to bring about the answer to the problem. I mentioned, Mr. Boyer, the Transportation and Communications people. I don't blame your ministry because MTC went along and made a great deal of plans without a lot of input by the Ministry of Industry and Tourism. The resort owners and others, and even Tourism Ontario in one of its publications, stated they had not been consulted until it was a fact. Then MTC comes along and says, "Look, it is going up anyway, we might as well show you what you are having." This is one of the areas I am concerned about: the co-operation among the ministries.

Hon. Mr. Grossman: Right in my opening statement, you will recall, I talked about an increased advocacy role for our ministry within the government. I think you cite a perfect example. You are quite right. Let's talk about what we are currently doing.

Mr. Boyer: Mr. Eakins, with regard to our relations with other ministries of this government concerned with tourism, I will begin where the minister left off in an area where you just commented, and that is with MTC. We are members of their highway signing committee, and we are members of their highway maps committee. I would say as a generality over the last three or four years we have had more co-operation from that ministry than we have ever had. With regard to their new signing policy, which there were criticisms of in detail, including some from us, the signing is 20th century, it is modern, it is attractive, and you can see it.

Mr. Eakins: I agree.

Mr. Boyer: Furthermore, in a meeting this August, the Minister of Transportation and Communications agreed to put representatives from Tourism Ontario on their signing committee.

Mr. Eakins: Good move.

Mr. Boyer: I believe, sir, there are a couple of signing matters still open, and not cast in concrete. Now, if I may, I will go on to mention relationships with other ministries.

Mr. Eakins: Sure.

Mr. Boyer: There is one particular grouping of ministries established by one of our former deputies, where tourism is a concern of our division, including Natural Resources, Northern Affairs and Culture and Recreation. We meet quarterly and this division chairs the meeting and the subject is exclusively tourism. We share our plans in that area; we share our problems and try to arrive at solutions.

Of course, we have a very close continuing relationship with Natural Resources. You may be interested to know we have just responded jointly to a cabinet directive that Natural Resources should make the provincial parks system contribute more to the tourism industry. On Monday of this week, the tourism division reported to our own ministry management with Natural Resources staff. The following afternoon, I joined Natural Resources staff at their management meeting on that particular subject.

Ever since the Ministry of Northern Affairs was established we have had a very close relationship, both on the development and marketing side of tourism. I think you will be interested to know the Ministry of Northern Affairs financed, along with the Ontario Northland Transportation Commission, quite a substantial promotional campaign for the Ontario northland. That plan was executed by the division of tourism.

In the matter of tourism development, we are using Northern Affairs funds for a number of studies of tourism projects we hope are viable in northern Ontario. Similarly, we use Treasury regional priorities funds to investigate tourism projects in other parts of the province. Timbertown is a case in point. We are working with Treasury at this moment to respond to our initiative to have a tourism agreement or sub-agreements within other agreements with the federal Department of Regional Economic Expansion.

[9:00]

We are working at this moment with Consumer and Commercial Relations, not on topless as you might suspect, but on the

possibility of time-sharing plans within the securities law of this province.

Mr. Eakins: It's a very interesting area.

Mr. Boyer: Sir, it has a great deal of potential—

Mr. Eakins: I think so too.

Mr. Boyer: —that exists in many other areas of the world.

Finally, I would mention the Ministry of Labour. We work with them closely on student minimums, tip differential, the minimum wage in general, statutory holidays. I wouldn't say that we co-operate but they know our point of view. The same thing applies, of course, to Treasury on the sales tax.

I think I have now covered the main areas where we are working with other ministries, and I have not mentioned our various partnerships with federal agencies or with the private sector.

I will just go back and mention one current one. At this very moment, the Ministry of Transportation and Communications is leading in Ontario input to the air transport committee hearings of the Canadian Transport Commission, where our minister initiated a plea for freer competitive atmosphere in the airlines serving Canada, both within Canada and to Canada, and Transportation and Communications is representing our point of view at that meeting.

Mr. Eakins: I raise the point because I feel it's most important and this is one of the things we can do to help the tourism operators, to create a feeling that they are not divided among the 14 ministries. I am sure you have heard many complaints from people about the lack of working together, and I am glad to hear you mention these particular points.

There is the program, We Treat You Royally. We want the Americans to feel at home here, and one incident that has just come to my mind has been reported to the NOTOA people up north and that is where some people reportedly holidaying in northern Ontario were apparently ordered off a lake by the RCMP because their life preservers weren't Canadian approved. This is one area in which I think we should be working very closely with the American manufacturers to make sure that if people come up here with their boats on holidays they don't have to reinvest in new life preservers.

Surely there must be some acceptable standard for our people who might go south across the boundary and certainly for the American people, who in this instance we are interested in, that surely they should be able to come across here and feel that they can

bring their boats and be in our water and enjoy tourism without having to leave or purchase new life preservers.

Mr. Boyer: I can't comment on that. I am not certain what you are talking of. There are very few parts of the province where we have Mounties—boundary waters, boundary areas.

Mr. Eakins: It's a matter of standards and surely there should be some co-operation.

Mr. Peterson: I've been picked up by the Mounties myself and they do a lot of patrolling.

Mr. Eakins: That wasn't a life preserver though?

Mr. Peterson: In fact, I've got a criminal record.

Mr. Eakins: I just feel it's important that there be some standard set where people can come across without feeling they have to leave because of lack of standard equipment.

Mr. Boyer: We have several problems in that area. The matter of studded tires is one. The matter of holding tanks is another, where in some instances neighbouring states don't have precisely the same standards that we do.

Mr. Eakins: I want to ask about two or three other things. Have you had any particular program to offset the United States advertising this past month, in November, and perhaps it extends into December and the first of the year, in regard to the very massive program of advertising for the Canadian dollar? It is aimed primarily at Ontario and Quebec and I was wondering what type of advertising or incentive we are offering to offset this campaign.

Hon. Mr. Grossman: First, we are going to continue to advertise in the American markets with regard to the purchasing power of their dollar in Canada. Second, I have to say that the American tourist industry is more aggressively and more cleverly dealing with the exchange situation than we are. As you know, they are advertising our dollar at par, which is a great way for them to attract business. At the same time, as I indicated the other night, far too many instances, because I think a few are far too many, have turned up in Canada where a fair exchange is not being given in Canada.

There are two parts to it. First, are we going to advertise aggressively in the American market with regard to the purchasing power of the dollar? The answer to that is yes, subject only to the caveat that our advertising campaigns are being put together right now. They are literally being made, printed,

and set and there's nothing we can do about them after a certain point.

We don't know precisely what the dollar's going to be at in June, July or August after, for example, the federal election. It could go up or down. We can't go out and advertise an 85-cent dollar. We can generally advertise rather safely that their dollar is going to be somewhere around 10 per cent lower and that they can get a bargain here.

The second side of that is we have to make damn sure that when they get here that is in fact true.

Mr. Eakins: What simple method are you endeavouring to develop to make the Canadian retailers and the American visitors aware of the sales tax removal if the item is taken out of Ontario within 30 days? It's in the Revenue Act. I would think there would be tremendous possibilities there as the sales tax can be removed if the items are taken out of the province within 30 days. Their allowance is tripled now as the Americans now can take home \$300 in duty free purchases. It's a great boon with the difference in the dollar and the sales tax and also the fact that the retail tax can be removed.

There are three things in their favour and our favour. I wonder if you are developing a simple method to advertise and to use this sales tax removal. I don't know what it is at the present time.

Hon. Mr. Grossman: The Ministry of Revenue is preparing for us a pamphlet, a brochure, which we will distribute widely in the appropriate places throughout Ontario to inform tourists here of that particular aspect of the tax situation. We would hesitate to advertise that on billboards or whatever throughout the United States because one of the things they find is that when they go back to very many states that have retail sales taxes, they have to pay the tax back home. There could be a situation in which people here don't read the fine print, as it were.

We can't advertise that they don't have to pay it or they can get their money back from Canada, but they have to pay it back in Virginia, but come to Canada anyway. That doesn't get us anywhere.

What we can do is make sure that people who do come here are given the opportunity to take advantage of the maximum benefit they might get because of the sales tax situation. Folders are being prepared which will explain the whole picture to people while they are here. You will see them, I hope, all over Ontario this coming summer.

Mr. Eakins: I think you will agree that it is important to develop a very simple method to make use of this particular area.

Hon. Mr. Grossman: I must be honest in saying subject to that reservation. I don't want to make too many enemies when they go back home and find out they just end up paying it again, and there are other jurisdictions with much higher retail sales taxes than ours.

Mr. Watson: Are we talking about the provincial sales tax?

Hon. Mr. Grossman: Yes, the provincial retail sales tax.

Mr. Watson: Is there an exemption?

Mr. Eakins: If goods purchased in Ontario are taken out of the province within 30 days, they get a rebate or removal of the sales tax. It's under the Ministry of Revenue.

Hon. Mr. Grossman: They can get their money back, but if they have a state sales tax they have to pay there.

Mr. Eakins: It's a matter of developing a simple method. It could be a bonanza both to Canadians and the Americans. It's something that I suggest to the minister the ministry work on in order to develop a simple method.

Mr. Peterson: Does the retailer not charge him or does he get a rebate?

Hon. Mr. Grossman: No, he gets rebated.

Mr. Peterson: At the border.

Hon. Mr. Grossman: No, he goes home, applies to the Minister of Revenue, as I understand it, and the Ministry of Revenue sends him the money back.

Mr. Peterson: In American or Canadian funds?

Hon. Mr. Grossman: Canadian funds.

Mr. Eakins: We're just suggesting that you develop the simplest method possible.

Hon. Mr. Grossman: The problem is that I don't want an impression to go out that this is a bonanza, because the guy might be coming from New York, or one of the many states with state sales taxes that are higher than ours, and the guy might be better off—

Mr. Peterson: Do you have correspondence with their revenue authorities to let them know who is taking advantage of this generous offer of yours?

Hon. Mr. Grossman: I don't know offhand, but I wouldn't be surprised.

Mr. Eakins: I want to—

Hon. Mr. Grossman: Excuse me. Is that true?

An hon. member: Rumour.

Hon. Mr. Grossman: It is rumoured that the Prime Minister of Canada is going on television this evening. You wouldn't think he would be that upset over Sault Ste. Marie, would you? I think that's overreaction.

Mr. Peterson: While you're at it, give us the score on the by-election.

Mr. Chairman: Conservative, 15,936; New Democratic Party, 10,153; Liberal, 4,530; and it was won by 5,783 votes. That's official; 195 out of 195 polls.

Carry on, Mr. Eakins.

Mr. Eakins: There are just two or three things that I want to mention to the ministry officials.

I had the pleasure the other evening of meeting with the Canada-Ontario Rideau-Trent-Severn committee. This system is one of the unique features we have in Ontario, and I hope your ministry people will take a look at the committee's report and do everything possible to develop the tourism feature of the Rideau-Trent-Severn system, keeping in mind the environment and everything else. It's one of our unique systems and one of the areas in which tourism can get a shot in the arm. I hope your people will take a very strong look at this study, now that it has been developed. I just wanted to comment on that, because I think it's a very important area.

Hon. Mr. Grossman: I quite agree. Perhaps Mr. Boyer can comment a little further for you.

Mr. Boyer: I just mentioned to the minister that, in talking about co-operation with other ministries, the Canada-Ontario Rideau-Trent-Severn agreement board is an organization of which we are a member, along with the ministries of Treasury and Economics, Natural Resources, Culture and Recreation, Transportation and Communications and our counterparts at the federal level.

I fully agree that this waterway system is extremely important. One hesitates to use the word "unique", but it is a very attractive water system—certainly one of the most attractive in North America—and in our opinion it is greatly underdeveloped in terms of tourism potential.

Mr. Eakins: I'm glad to hear your comments. I just have two more matters. One question is with respect to the numerous studies that are done on tourism in various regions of the province.

I would like to ask about the Niagara Falls study that was done this year. Are the tourism officials of the ministry content that the final study reflects accurately the findings and interpretations of the preliminary report pro-

duced by an outside marketing agency employed in the study? I wonder if you could comment on the original report—and your ministry officials might want to comment—if you're familiar with the Niagara Falls market research study.

Hon. Mr. Grossman: Which study was that?

Mr. Eakins: The Niagara Falls market research study. There were two reports. There was one done originally and—

Hon. Mr. Grossman: Was that the one done for conventions and meetings?

Mr. Eakins: It was a general report. I understand you've been contacted by the original marketing agency with respect to inconsistencies in the interpretations of some of these specific results, and I refer to some differences of interpretation contained in the observations section of that report. I think your study is completed now. In fact, I think you people sent me one.

[9:15]

Mr. Boyer: We did two studies in the Niagara Falls area recently and we have had some dissatisfaction with both of them. One concerned the amount of revenue from conventions. On that particular one our findings indicated a much lower level of convention spending in the Niagara Falls area than the Niagara Falls officials thought was accurate. We stuck by our own figures. There was another general marketing study, again led by a Niagara Falls tourist organization. We were dissatisfied with the methods used and it's my recollection that we backed away from that study.

Mr. Eakins: Were there not some conflicting interpretations in the two reports? How do you see this?

Mr. Boyer: I can answer you with assurance on the convention and meeting study. That is being repeated, with better methodology and with input from a number of major cities in the province of Ontario, and we'll be able to compare the two and determine whether, in fact, our methodology is satisfactory.

Mr. Eakins: Who did the final study, could you tell me?

Mr. Boyer: I can't tell you, Mr. Eakins. I can tell you tomorrow.

Mr. Eakins: Okay. I just want then to ask one final question. I know there are some others who want to ask questions, but I think it's very important. It concerns the long-range training program for people in the hospitality industry to complement the We Treat You Royally program. I fully agree with your campaign. I think it's a start, but I think it

has to be complemented by the training program and the people out in the field. I hope that this is not just a one-year shot because I think it's so important. I think it should be more of an ongoing program because it's very important.

I think I touched on that in the opening remarks by saying that we should start that program right at Queen's Park with the receptionists, and I hope by this time you've replaced the telephone by a very capable person in your office so that people approaching the ministry will feel that they are being treated royally. My question generally is about the long-range training program for people in the hospitality industry.

Hon. Mr. Grossman: Yes, I'm going to ask Mr. Boyer to respond so you will have all the details of that. May I say it was always intended to be long range as we move into year two—commitment of funds, and we are working now to get ready for the actual training and upgrading portion of the We Treat You Royally program. We would like to start a clean spark. I tried yesterday—I don't know if you were here—to get Marion Bryden to wear a We Treat You Royally button but she declined, and perhaps you could have Mrs. Campbell wear one tomorrow as an example.

Mr. Eakins: I'll speak to Margaret.

Hon. Mr. Grossman: That will be a start.

Mr. Boyer: Actually, Mr. Eakins, as you know, on the We Treat You Royally program, the need for awareness originated with the private sector who urged us to launch such a program and we have done so, we believe with considerable success. In the last few months, again from the private sector, the need for training of people in the hospitality industry was brought to our attention. We have set the objective that our training program will begin in January and will continue throughout 1979 with the objective of certifying some 25,000 people in the business as having successfully completed this one-day training course.

On Tuesday next, I meet with the trainers. They include half a dozen of our tourism industry consultants, they include members of the hospitality industry from Tourism Ontario, from the travel associations as well as one or two professionals; for example, the man from Holiday Inns is part of our group.

Mr. Eakins: It is a very important program and I am very pleased to see you are getting under way with the training program. It does complement the other part of the We Treat You Royally program. I am delighted it is going to be taken quite seriously.

There is one other area which one of my colleagues will refer to later—my colleague from Wellington-Dufferin-Peel (Mr. Johnson). But it is an area I am very interested in and I know he is. That is the Ontario Vacation Farms program. I would hope the ministry people would be looking into the feasibility of this, because I believe this holds a lot of promise and that it can provide a different tourism experience for many people. I think it could be good for the whole province.

Perhaps my colleague will mention this, but I suggest you set up a test area to try to see how the program works and whether it can be expanded. There might be a trial area.

Hon. Mr. Grossman: I would be happy to respond, but I know my colleague from Wellington-Dufferin-Peel wants to talk to it at some length, and I want to give him the opportunity.

Mr. Eakins: Before we move along, can you tell us in dollars how much to date has been spent on Minaki Lodge? The grand total?

Mr. Boyer: About \$10 million.

Hon. Mr. Grossman: About \$10 million. This time next year we will be back here reporting to you success and some action on Minaki—brackets, hopefully.

Mr. Eakins: Will you have regained your \$10 million?

Hon. Mr. Grossman: Oh, that might take a couple of years.

Mr. Laughren: It is going to be the head office for the minister.

Mr. Johnson: I have a lot of information on this program and rather than take too much of the remaining time I would like to present a proposal to the minister, and one to Mr. Boyer.

Hon. Mr. Grossman: Feel free.

Mr. Johnson: I have an editorial from Jim Romahn, farm writer for the Kitchener-Waterloo Record. He states: "About 10 years ago, borrowing from successes in Prince Edward Island, the Ontario Federation of Agriculture started a program to offer city folk vacations on farms. Unlike Prince Edward Island, the idea has never quite blossomed into its full potential in Ontario."

He goes on to mention there are only about 50 farms listed with the Ontario Vacation Farm Association and this year the federation of agriculture has decided not to support the program any longer.

A couple of years ago when the member for Ottawa South (Mr. Bennett) was Minister of Industry and Tourism, I mentioned the farm vacation program to him and I think Mr. Boyer commented, "I recall Mr. Johnson's re-

marks from last year. On the evidence, the farmers of Ontario don't seem to be very much interested in such a program, based on these 28 farms. But what we will undertake to do is to make a more careful feasibility study. We are familiar with what is going on in Prince Edward Island and we will report further to you, if that is satisfactory."

Mr. Boyer, that was a couple of years ago, and there doesn't seem to be too much going on. I have a letter from a friend who has returned from Denmark. He knew I was interested in the program and he sent me material on farm holidays in Denmark. He states: "Not unlike Ontario, it is fairly expensive for people to vacation in the resort areas of Denmark. Consequently, the farm holidays, I am told, are quite popular where they provide adequate accommodation, with good food, at a reasonable price."

I have a letter from Mrs. Ruth Bender of Mildmay, dated October 6, 1978. She is quite concerned there isn't any support in the reply from Industry and Tourism, and on a couple of occasions they referred her to the Ontario Federation of Agriculture. "I wonder if they are unaware that the Ontario Federation of Agriculture gives us absolutely no support any longer, and hasn't for several years." She has enclosed a brochure and asks the support of the ministry.

I would like to take a few minutes, Mr. Minister, and mention some of the proposals I have in this brief I presented. I mentioned there are 30 farmers participating in the Ontario farm vacation program at the present time. It is a figure that fluctuates, so it could be 30, 40 or 50, but it is a very insignificant number for the size of the province.

The purpose of the program I propose is twofold: Firstly, the Ontario vacation farms program is intended to afford the opportunity to vacationers to live for a limited time on an operating farm; secondly, it is intended to provide the participating farmer with revenue to supplement his farm income.

It should be emphasized the purpose of the program is not to replace the farm income or serve as a substitute for it, rather it is intended to be a supplement to it, thereby affording farmers who need additional capital to add to their holdings, to purchase more stock and equipment, or to do repairs with the opportunity to do so on the farm without having to find employment in the urban centres.

I might also add it would provide the farming community with a vehicle to promote a better understanding of the types of problems they face from day to day. It would also lead to greater appreciation of rural

life and provide an additional market for the products sold in the small rural communities.

The current state of the vacation farms program suggests there are problems. When I raised my concerns for the program in the 1976 estimates of the Minister of Industry and Tourism, Mr. Boyer stated: "On evidence, farmers of Ontario don't seem to be very much interested in such a program."

It is true that they are not interested. The fact is we have to sell them as well as the vacationers. It is a two-way selling program.

In discussions I had with the Hon. Gilbert Clements, Minister of Tourism, Parks and Conservation for Prince Edward Island about this program, I discovered they had also experienced similar problems. Because of the government's concern with the program, questionnaires were sent to participating farmers and tourists who had been involved.

The key issue that emerged from the responses was the fact the farmer shared his accommodation with the tourists. This led to inevitable irritations. The farmer in particular felt this was an invasion of his privacy and grew to resent the intrusion. The tourist, on the other hand, never really felt comfortable. I suspect a similar case exists here in Ontario.

Another problem that has emerged out of this program relates to the fact it is not well advertised. In my view, if the program is to be successful it has to be promoted both among the farmers and the tourists.

I have a few suggestions. The first is that a pilot project be undertaken in the region of Wellington-Dufferin-Peel to determine if indeed it is truly a viable program for both farmers and tourists. I am open to suggestions if there are other areas that would be equally suitable. This past summer I was up in the riding of the member for Victoria-Haliburton (Mr. Eakins) and there are many areas of that riding that just haven't viable farms. They are close to lakes and they could certainly do with a program such as this. It ties in together.

The first reason I suggest my area is—

Mr. McKessock: Political.

Mr. Johnson: Yes. The second is it has the advantage that within a two-hour drive of my riding there are about four million people living in large urban centres in Ontario, plus something like half a million in Buffalo; within a 400-mile radius there are approximately 20 million people. That's within a day's drive. This does not include Chicago, Cincinnati, Philadelphia, New York or Boston, cities which are not far beyond this range. We're talking about 20 million to 30 million or 40

million people within a day or a day and a half's drive.

[9:30]

I won't mention all the beautiful things we have in our riding, but it's certainly one of the better areas.

Mr. Eakins: The ferry will be trying to get them out on the island.

Mr. Johnson: Yes. Secondly, with respect to the problem of accommodations, the Prince Edward Island experience has revealed that the program is more feasible when the farmer and tourists are in separate lodgings. I would suggest prefabricated, winterized, small cottages so that they can be used for year-round vacations.

At the present time, with Christmas holidays coming up, if someone wanted to take their family on a vacation they've got a choice of going to fairly expensive ski resort areas, if indeed they ski. Other than that, their choice is to leave the country.

If they had the opportunity to vacation in rural Ontario at this time of year, I'm sure many of them would partake of it.

We have some concerns about land-use and the problems involved there. We don't have to jeopardize the farmer's position. I think the operation should be controlled. To be feasible, it should be a minimum of at least two units and there should be a maximum of possibly six so that it doesn't develop into a full-time tourist operation.

We should keep in mind that it has to be an operating farm, a viable farm. This is only a way of adding to the income so as to make the farm more viable economically. If we go into other areas we run into a lot of problems with the municipalities. Many of the municipalities are concerned now with tenting and trailer parks.

I believe municipalities should be encouraged to allow farmers to take part in the program with a minimum of regulation, licensing and rezoning, providing they do not exceed the maximum number of units stipulated.

Finally, the focus of the program should be directed toward a family vacation available on a year-round basis.

No doubt there are a number of other considerations in establishing a program other than the ones I've already outlined. I believe, however, that the concept behind the program is a good one and that it is a marketable program.

In Prince Edward Island, for instance, some 90 farmers are participating. In Prince Edward Island, the population is not much larger than the population of my riding—in-

deed the geographic area is not much greater—and they have 90 farmers. In Ontario we could have many hundreds, if not thousands, who could participate in the program.

In my view, the Ontario vacation farms program has a unique appeal. It opens up a whole new dimension of vacationing for tourists at home and abroad. The costs, I would suspect, would be relatively low compared to other forms of holidaying.

In addition to the vacationing aspect, it would lead to a better understanding and appreciation among urban dwellers of rural life and of the important contribution that farmers make to our way of life. It would also be of financial benefit to the participating farmers and to the community in which they dwell.

I hope, Mr. Minister, that the government will endorse this program and provide the necessary resources to get it off the ground. I've tried to sell it for the last three years, in fact, longer than that, and it's like beating a dead horse. I hope that we can do something.

Mr. Makarchuk: It's a pretty insensitive government, isn't it?

Mr. McKessock: I'd just like to mention that Grey county has a proven record for the farm vacation business. In fact we were involved in it ourselves for a little while on the farm. It was interesting to hear Jack say there should be separate dwellings. At the time we were in the business the Ontario Ministry of Agriculture and Food was giving a grant towards improving your place for farm vacationers. It wasn't a separate grant, but it was an add-on to the \$3,000 grant that was available to farmers.

We applied for this grant and fixed up a dwelling separate from our house to accommodate these vacationers, because I felt, as people have found out, that the vacationers would rather be in a separate dwelling. But when the Ministry of Agriculture and Food found that I hadn't spent the money on our own place they withdrew the grant, because they said it had to be part of your own dwelling.

Hon. Mr. Grossman: It's just as well, the NDP would have wanted a share in your farm in return for that grant.

Mr. McKessock: I argued at that time that it was much better to have a separate dwelling because each party, the farmer and the vacationer, had their privacy. It is a good way for people to vacation. They seem to enjoy themselves at the farm and you meet a lot of nice people. We found that one

family at a time was about right. You have to watch that they don't overrun the farm.

I would like to suggest that if you want to get this thing off the ground, what should be done is something similar to what had been done before. That is, to offer some assistance to the farmer in the form of a grant to improve his dwelling. If you are going to take on these people you naturally have to spend money. The fact it hasn't caught on is because it doesn't pay. If you have to spend \$5,000 or \$6,000 to improve your place to have these people and it's going to take you too long or never to get it back, you're not going to do it.

If you could get them started they would very well stay in business. I think this could be done, as you do with Ford Motor Company and everything else to keep them in the area and get them moving. Give them a grant, say 50 per cent of what they are going to have to spend to improve their place to have these vacationers come along.

Hon. Mr. Grossman: Floyd's already calculating; he wants one sheep for every \$1,000 grant. Michael Cassidy wants one sheep for every \$1,000.

Mr. McKessock: We're talking about free enterprise now, not socialism.

Mr. Laughren: You are?

Mr. Chairman: Do you have any more comments, Mr. Johnson?

Mr. McKessock: The Ford Motor Company, is not that free enterprise?

Mr. Laughren: I'll share my sheep.

Mr. Johnson: In reply to Mr. McKessock's comments, I would like to suggest that rather than give them grants to improve their residences if the money were spent on prefabricated and portable cottages they could be placed on a farm, two, three, four units, whatever they could handle. After four, five or six years, if the farmer no longer wanted to operate this vacation program then they could be picked up and moved to another farm. It could be an ongoing program and the money wouldn't have to be put into capital investments that would be locked in.

Mr. McKessock: I would hate to omit the possibility of putting this grant into the farmer's dwelling or a separate house that could be permanent. I think he will look at the fact of building a separate unit, which is going to cost quite a considerable amount of money today. I think it will be hard to get him to invest in a separate, complete unit.

Mr. Johnson: I'll finish up with one comment. This isn't free enterprise, but when

Frank Drea was Minister of Correctional Services he offered the services of his personnel to build some of these prefabricated units. I'm not sure if Mr. Laughren would go along with that.

Mr. McKessock: Do they have bars on them?

Mr. Johnson: Without bars.

Hon. Mr. Grossman: I want to respond. I would have hoped if Mr. Drea's people were going to do that they would have had We Treat You Royally on the back of their uniforms if they went out there.

I want to indicate that I have spent some time talking with my colleague, Mr. Johnson, about this concept and if I choose to participate at all and try out the concept I can assure you it will be in the great riding of Wellington-Dufferin-Peel.

We are, as a government and as a ministry, willing to assist in the development of a program of this nature for visitors. Our travel consultants in the field can provide some expertise and advice in the technical and managerial area which might be necessary to ensure the operators at the farm level might be successful.

We would be willing to provide services in reviewing plans for buildings, including the problems that have been outlined here, improvements to the service available, talking about such mundane matters as rate structures and formulas, assisting with book-keeping records, training of staff and getting right into the sourcing of development funds and procedures for completing loan applications.

Mr. McKessock: Did you say loan or grant?

Hon. Mr. Grossman: Loan.

Once an operator has over four units we would be quite willing, for example, to have him licensed. We would have him licensed by the ministry and promoted through our advertising and publications program.

It also may be feasible to highlight this aspect of Ontario's accommodation by creating a special section in our accommodation publication. If we are successful in these initial steps, we would highlight it in our accommodation publication.

I want to emphasize that our consultants would be ready to assist in applications for ODC loans for these facilities. So we are going to see what we can do in the next year or two to get something like this under way.

Mr. Johnson: Mr. Minister, would it be feasible to have someone in your ministry, maybe Mr. Boyer, contact other provinces and some of the other countries that are

operating successful programs and obtain some suggestions from their jurisdictions?

Hon. Mr. Grossman: We would be happy to do so. I will get someone, perhaps not Mr. Boyer but someone who is more familiar with farms, to take charge of overseeing this endeavour. We will be in touch with you and the other jurisdictions in order to get all the information necessary.

An hon. member: Donald MacDonald perhaps.

Hon. Mr. Grossman: Yes, there is a man with his roots in the farm, he takes his Mercedes there every week.

Mr. McKessock: You mentioned ODC loans. Could you make available to him the OBIP loan, which would mean it would be interest-free for five years?

Hon. Mr. Grossman: At the present time we don't think it would qualify.

Mr. McKessock: At the present time the farm vacations don't qualify at all, so at the same time could you make it the OBIP loan?

Hon. Mr. Grossman: We will see if we can make a decision on that.

Mr. Laughren: If nothing else they are crisp.

Hon. Mr. Grossman: It would be under the tourist loan program, which provides a cheaper interest rate than the going rate, but it wouldn't be under the OBIP program. As indicated earlier, we will be reassessing all of our grant programs in the next year and perhaps we will have something different for you next year; at the moment, no grants.

Are you interested in tourism too, Mac?

Mr. Makarchuk: Oh yes, I am an expert in very many things, Larry.

Mr. Laughren: Name one.

Mr. Makarchuk: Boating.

I just want to discuss the Rideau and the Trent system, which was mentioned by Mr. Eakins earlier. I agree with him, and also with the minister's representative who said it is an under-utilized system which has, I think, great potential. It is not really promoted by your department to any great extent. If you look at the boat books—the American boat books particularly, which will carry a fair amount of information on boating in the United States or in the Caribbean and places like that—there is the odd time you have an article, about once a year if that, on the Rideau or the Trent system. I think you should seriously—well don't flaunt your copy of National Geographic, that just appeared on the scene; you don't really promote it.

Another thing, and this is not specifically your problem, is that at the entrance to the Murray Canal near Brighton, because of pollution and effluent going into the system weeds are growing to the extent that boats are having difficulty going through there. Last summer, as I understand it, the system was blocked and it was impossible to enter the system from that area because of the fact that the weeds took over.

[9:45]

A similar situation occurs on occasion in the Kingston area. In the entrance to the Rideau Canal, the same things develop. The weeds break loose and a raft of weeds flows into the channel and blocks the system. Consequently you can't really use it. Naturally, if people come up and experience that kind of a situation they will not come back and will spread the word around to other people.

I was wondering if you are intending to do anything about that to ensure that in the future we have some cleaning and cutting to improve the channel in those areas. I understand you have to work in conjunction with the federal government because it's under their jurisdiction. Are you doing anything or not about it and are you aware of the problem?

Hon. Mr. Grossman: We are. Mr. Boyer will address it for us.

Mr. Boyer: With regard to the weed problem, that's a very real problem. The only solution we have heard from the Ministry of the Environment is to have a harvesting program. There is no chemical that's effective. They have experimented with putting plastic sheeting over the weed growth area, but that hasn't worked.

As you probably know, the mill foil disappeared naturally where it started a few years ago in the Chesapeake Bay area.

Mr. Makarchuk: Do you not have some type of aquatic harvester on Rice Lake that clears the channels?

Mr. Boyer: Yes, sir.

Mr. Makarchuk: I would suggest that perhaps you should utilize them, particularly at the entrances of the canals, because that's where the problem starts. The people will come in from the United States to Ontario Place and then head along the shore, hoping to get into the Rideau or the Trent. They find their way blocked and they just can't make it. That discourages them. It seems to me that's one point where you could start.

Another thing that concerns me, which is a big problem for the whole tourist industry in Ontario—I'm speaking of areas outside of the major urban centres—is the fact that

you've got about two months of tourist season. You utilize it to capacity, but you have to keep the whole plant and everything else that you've got there operating for the rest of the year—although you do not have the associated labour costs. As a result, in those two months you have to make enough to pay off a lot of things.

It seems to me that if I go out skiing or something like that, in the evening when I finish, and I'm through skiing, I may want to have supper or go out some place or do something. You find that in most communities, unless you go to the local topless bar while it still is in existence, there really isn't very much going on.

I would like to see your department get involved with the Ministry of Culture and Recreation in terms of trying to develop local symphony orchestras, local theatre groups, expand the museums that you have, organize historic tours or something of this nature, or expose the historic points of interest in the area to provide some other activity so that people will not get bored.

You can ski, you can rest in the evening, or you can get stoned, and that basically is all that's left. We can elaborate a little with you on that.

Hon. Mr. Grossman: I'd like you to, would you?

Mr. Makarchuk: I would suggest that it would enhance those areas. It would make them a lot more popular and also bring in tourists to these communities on a more year-round basis. Right now the major concentration is in July and August, and then the dreary season settles in until the snow falls. Then there are dribs and drabs. The weekends are overcrowded but during the week nothing's going on.

The other thing I think should be done is to try to promote those places as some type of get-away-from-it-all convention centres on a small scale. The city of Toronto does do a fair amount of promotion for its own purposes.

Mr. Laughren: Maple Mountain.

Mr. Makarchuk: There are smaller institutions like Deerhurst. I quote that because that's where the Tories gather. I know they do their own promotion, but I think there should be some assistance from the ministry to bring to the attention of smaller companies and firms that perhaps this might be an ideal place to go for that convention, a place where there are fewer people and they do not require a large-size hotel. We should really push this in the American market, or the market that's not very far away. If they really want to get away; to make sure that their

salesmen and representatives aren't running away at night and have reasonably clear heads in the morning so they can understand what the seminar's all about, then these would be good places to go.

Hon. Mr. Grossman: You want them to be bored at night?

Mr. Makarchuk: No, they don't have to be bored up there; they won't be bored, the programs can be there. If the lodges know there is a steady stream of people coming in, they will certainly arrange their own entertainment and they'll have things going on. As an example, during the summer last year, Deerhurst had the Firehall Theatre group there. That was very good, that provided a good balance.

Hon. Mr. Grossman: That was a Tory meeting.

Mr. Makarchuk: That was another theatre group, drama of a different sort.

Hon. Mr. Grossman: Longer-running.

Mr. Eakins: Summer theatre.

Mr. Makarchuk: No, it wasn't summer stock, no. I'd just like to hear your comments on what I've told you.

Hon. Mr. Grossman: We quite agree with your latter remarks about the importance of some of these getaway places where smaller conventions could be held. For example, I think the Cantrakon site in Wellington-Peel would be another fine example of a place where a convention could be attracted—

Mr. Makarchuk: Let's put it this way, Larry. The places in existence right now are not doing that well. Why don't you make them economically viable and then expand with the other facilities? Look after the small guy, will you, for a change?

Mr. Chairman: He's a small guy, he's looking after himself.

Hon. Mr. Grossman: There are indeed a lot of small people.

Mr. Makarchuk: I mean my friend, Laughren.

Mr. Chairman: He looks after himself, too.

Hon. Mr. Grossman: There are a lot of small people in Caledon who are looking forward quite a bit to the Cantrakon thing.

Mr. Makarchuk: We could have that discussion on the individual labour problem, but let's stick to the specific issues of small tourist operations in Ontario right now.

Hon. Mr. Grossman: I did. Deerhurst is not a small tourist operation.

Mr. Makarchuk: It's not large, it certainly isn't the Sheraton Centre.

Hon. Mr. Grossman: In any case, in a non-controversial way, I did want to point out that we are interested in that sort of approach. We think, for example, that one of the reasons some of the current centres are not doing as well as they might in terms of attracting conventions is that they aren't taking adequate advantage of some of the great locations that might be available in the province. Certainly Cantrakon has moved into that void in trying to take maximum advantage of some of the natural geographic attractions we have to offer.

Mr. McKessock: Minaki?

Hon. Mr. Grossman: Minaki was next on my list, as a matter of fact.

Mr. Laughren: You've got a bumbler looking after it.

Hon. Mr. Grossman: I'm glad you raised the question of Minaki Lodge, because that again would be the sort of getaway spot which would be uniquely suited to some of the very people you're talking about, salesmen and so on.

Mr. Makarchuk: Why don't you deal with the ones you've got in operation right now? What are you doing for them? Not the fictitious ones, the possible Minakis and the possible Cantrakons.

Hon. Mr. Grossman: In your earlier remarks, you referred to people coming to those locations to ski and having complete packages of things for them to do at night. Our experience is that many of the successful places, even those two owned by the Treasurer, have in many cases put in their own facilities, for example opportunities for dancing and discotheques for those interested. I myself am usually far too tired after a day of skiing, you may be stronger. In any case, many of these facilities are available. In my previous portfolio I was happy to have had the opportunity to help address this problem by ensuring that skiers, after a day's skiing, would be able to have a drink without a meal around four or five o'clock on a Sunday afternoon. It was mainly the ski resorts that were asking for that sort of consideration.

We were able to do that; indeed this Sunday I will be up at Blue Mountain opening up their two new ski hills and tows. I'm looking forward to that.

Mr. Laughren: What about tourists who want to go to the ball game?

Hon. Mr. Grossman: I may have a new view on that.

In any case, some of our advertising is in fact pointed towards those special accom-

modations, and indeed we do try and get into the American markets that are looking for special convention facilities.

We, of course, think that some of this problem would be assisted by the grading experiment that we had last year that was withdrawn when, strangely, many of those same operators indicated they were not willing to go along with the grading experience. It was the Ontario Hotel and Motel Association specifically which indicated it did not want to participate. Most of those people are the ones who own the very types of places that you were talking about. We believe the grading exercise would go a long way towards helping people who are making these sorts of decisions understand the place that they are going to.

This Sunday, when I am up at Blue Mountain, I will be referring to the fact that that area will have become a four-season tourist area able to attract people and provide recreational facilities year round.

We now have very many places that are into snowmobiling, cross country skiing and so on, and there has been in the past few years substantial new investment in ski lifts and so on. All in all, I must say that my personal experience, and the experience that many people report to us in terms of things to do in the evenings in many of these places, is pretty good.

Mr. Makarchuk: I would suggest to the minister if he feels that it is very good that he go into the Laurentians for a while and try and compare what goes on there, what activities they have in the evening, and see if you could perhaps get some ideas. I think you will find that they have some very useful things they could teach you.

Hon. Mr. Grossman: I'll be skiing in Ontario this year.

Mr. Makarchuk: I am not saying that you should not ski in Ontario. However, you don't have to be that parochial in a search of knowledge.

Hon. Mr. Grossman: In that case I will try the Swiss Alps.

Mr. Watson: I was pleased that Floyd was reporting they had their sheep because I now know about the time that the little pet lamb got spilt with the blue dye. That was a terrible catastrophe until the tourist came along and bought this little lamb for \$100, so he dyed another one and he dyed it blue, and he got another \$100. Then he started to dye them green, pink and purple, and that, Mr. Chairman, is how he became the biggest lamb dyer in the NDP.

Hon. Mr. Grossman: Floyd bought the pink one.

Mr. Watson: Seriously, in the matter of promoting things in tourism I have a couple of things I want to mention. One is that I would like to promote tourists to agricultural areas. I think one of the things that your ministry could do would be to give some assistance in the formation of farm tours. I believe, for instance, in our area that one of the tourist attractions that has been let go is the fact that people want to visit farms. If you are a person from the city and you just want to see a working farm, where do you go in this province to see it?

You can go to a zoo, or you can go to something that is all set up. I take my example from Florida where I went on a farm tour of that area. We went out on a bus one afternoon. They took us to see radishes being harvested. They gave us a paper bag and you loaded up and took all the radishes you wanted. Then we went to a celery field and they gave us a paper bag and said: "Take the celery that you want."

Mr. Laughren: Bert Lawrence would have got off on that.

Mr. Watson: We went to the cabbage field and they said: "Take the cabbages you want." By that time you couldn't get your feet into the bus. There were people from all walks of life, and it was just a tremendous afternoon. This has been talked about, for instance, in Chatham. I think with a little bit of assistance it would get off the ground in some of the agricultural areas and it maybe could start with a Saturday and Sunday thing. I think there is a place in Ontario for a mature university student, who is 21 or 22, who could be entrusted with a minibus or that kind of thing. You don't have to bother the farmer. That person would know about agriculture and in our area they could take them and show them red beets being harvested, and sweet corn, and tell them all about the sex in the seed corn field, and all those kinds of things.

Hon. Mr. Grossman: The which?

Mr. Watson: Haven't you heard about the sex in the seed corn field?

Mr. Laughren: You had to ask.

Hon. Mr. Grossman: No, but if there is we probably have a marketing board for it.

Mr. Laughren: Does it have anything to do with sheep?

[10:00]

Mr. Watson: The other thing that I would like to report on, in case you think that these things sometimes are dull, is that in Kent

county for the past four years the chamber of commerce there has conducted what we have called the Pied Piper farm radio tour. I had kind of a personal involvement in it. We took two hours of live radio time on a Saturday afternoon and we went from farm to farm. We visited various farms and broadcast over the local radio station. The people heard the commentary over their car radios. The first year we got such a hell of a long line that the next year we went to radio-equipped buses. They now have three radio-equipped buses plus about 60 cars that tag along.

The people who are there are getting good public relations out of what is going on in the farm community, but the people who are at home—and there are an awful lot more at home who are sitting beside their swimming pool and so forth—are listening to this. It is an excellent public relations effort. It has worked. People said it wouldn't work when we started. We say if those who are concerned with agriculture can't make that kind of an afternoon as interesting as somebody listening to a baseball game over a radio, then there is something the matter with people in agriculture. We proved we were right.

I think it is a new kind of an idea. It was copied in Windsor. They now have what they call the food tour in Essex county. I know I have answered letters from British Columbia to Nova Scotia on that kind of an outfit.

Some of the farmers don't like to be bothered, but there are ways of having these kinds of things where they don't have to be bothered. What I am saying is that in one tour, somebody else would come on your farm and know how to explain it so you don't have to stop the farmer. The other one the farmers love is a windshield type of farm tour. The people come in, they drive through the farms, and they don't get out and tramp through the fields because they are heading on to the next one.

So those are a couple of ideas, and a couple of programs. I think particularly the one with a farm tour for tourists is good and with some kind of a push on that with a grant or a pilot project or something, I know some people who would be interested in co-operating.

Hon. Mr. Grossman: Thank you.

Mr. McKessock: Before you answer, I think that is a terrific idea. I have had farm tours at our place too. It is other farmers coming who enjoy going to other places. They came to our place because we are in the veal calf business. I didn't give them each a veal calf the way they did with the cabbages.

Hon. Mr. Grossman: You're really a little entrepreneur, McKessock, let me tell you.

Mr. McKessock: As I say, farmers enjoy it, and I am sure people from the city would too. I have heard the tourist people talking about when you get somebody in your area for a week or two weeks holiday there should be a variety of things set up so you can keep them there. Quite often they come and stay two or three days and they move on. If you have enough attractions to keep them there for a week or two then this could well be one of them. I think it is a good idea.

Hon. Mr. Grossman: Thank you, it sounds like a very interesting idea. I have a little bit of experience in that regard.

Mr. Watson: You wouldn't be high enough. You have to be five feet two inches to tassell corn.

Hon. Mr. Grossman: I went with Floyd. He stood on my shoulders and we did it. I have a little bit of experience in that I have often had occasion to take my children to a couple of the farms near our cottage, and they certainly found it a new and different experience; very worthwhile. We have gone back several times. Indeed, we even go to the commercialized, but very popular, apple picking farms. They haven't really got the atmosphere you are talking about, I know, but when I saw the enormous reaction to it, I was quite impressed. I would like to follow up on that again and I might have someone get in touch with you. However, we can only provide administrative, advertising support for that sort of thing. It really depends upon the farmers involved indicating a willingness to participate.

Mr. Eakins: Another area to encourage.

Hon. Mr. Grossman: Yes. The way Mr. Watson has described the growth of starting small with everyone in the community getting on board sounds really interesting. I would have enjoyed watching, for example, the former Treasurer participate, as I am sure he did, in some of those farm tours on many occasions.

Mr. Watson: My only exposure to politics was the picture I had taken with him at the Watson's. And he used it.

Hon. Mr. Grossman: I knew that. I knew he would have been out there. That was his style.

One of the things we are looking at is the extent to which we are promoting fall fairs. I simply mention that at this stage because I think fall fairs present a real opportunity for us to show a lot of what Ontario is all about, something of which far too many

people aren't even aware. Although we do some advertising, I would like to see if we can maximize that in the next couple of years.

What you're talking about is a logical tie-in, in some cases, to the farm fair circuit where we hope that perhaps we can get some urbanites out, not only into the fall fairs but perhaps to spend a day or two on a weekend in the fall, for example, and hook that into one of your bus tours to the farms and so on. I think that has tremendous potential. I know many families in the city of Toronto who, as an example, as soon as the weather turns a little bit chilly in September or October—in Floyd's case in August—are looking for things to do on weekends. I think that has tremendous potential.

Mr. Watson: Mr. Minister, there are a couple of things I would like to say. You bring in the fall fairs, and I have had considerable experience with exhibits at fall fairs with farm people, and as far as I'm concerned if you're going to do a job with them you have to man it with a knowledgeable person. To put up an exhibit at a fall fair and not have somebody there to tell them what it's all about, our theory in the Ministry of Agriculture and Food was forget it, because you have to have somebody there to talk about it.

The pick-your-own operation is a good example. We sell a few grapes but not very many. People will come out from town and they'll spend an hour picking a six-quart basket of grapes on a pick-your-own operation just because they love to wander up and down and pick something off a vine. There's a market there all over Ontario that the tourist market can tap into. Some people in Niagara have really taken advantage of it.

Hon. Mr. Grossman: Yes, it's been very successful and I've visited it.

Mr. McKessock: Did you ever consider, or would you consider, sending buses out from the cities to the fairs? The ministry could advertise and give them a free trip out, supply a guide who does know the fall fair business and give them a tour of the fair and explain what everything is about. It would take in your tourists who are in the city as well. They could get on the bandwagon and take a day out to the fair.

Hon. Mr. Grossman: Yes, I think it's a tremendous opportunity, but I have two comments. First, I think it's a great opportunity for the private sector. I think it does have potential. The only real cost is renting a bus and getting someone who is knowledgeable to entertain on the way or whatever,

and give you a little bit of advanced knowledge about where you're going and some background to whichever particular fair you're going to. I really think it's an opportunity where some entrepreneurs can make it work.

The second comment I have is, you might be surprised to learn this, but one of the first things I asked my staff after I took this job was about the fall fairs. I asked some questions to see if we couldn't do better in terms of using them as a natural resource for the tourist industry and to get a feel for what Ontario is all about. One of the concerns I have is that we don't move in this area in a way which doesn't coincide with the feel of the fall fairs, what the people in the various communities want to see happen to their fall fairs. I'm not sure that all communities want to see 10 busloads of people from Rosedale or Sudbury suddenly arrive.

Mr. McKessock: There are lots of fairs. You can divide them up.

Mr. Watson: As long as they pay their admission, they'll be welcomed.

Hon. Mr. Grossman: The other thing, of course, is, when we do that, and I would hope the private sector would do it rather than government, we really don't want to get into a situation where, as a government, we're picking the fall fairs that we're going to be sending buses to. I can see some problems in trying to pick which ones we're going to go to. I know, looking over the list, there are some days upon which there are several fairs in different communities, so we are looking at that. In any case, I should remind you that we do advertise the fall fairs. I'd like to be a little bit more aggressive about it and, indeed, I don't want to forget winter fairs and winter carnivals, which are becoming more and more common throughout Ontario.

Mr. Makarchuk was talking about using our tourist attractions all year round. I'll be in Owen Sound the second week in January to open the Owen Sound winter carnival.

Mr. Eakins: As Eddie Sargent's guest?

Hon. Mr. Grossman: No, I'm getting out of town before Eddie can catch up to me.

Mr. Johnson: Mr. Minister, a point of clarification: When you mentioned fall fairs, either Mr. Watson or I misinterpreted your comments. I was under the impression that your emphasis was on promoting and advertising fall fairs. Mr. Watson seemed to feel the ministry was going to set up a booth.

Mr. Watson: That might be one thing. The other thing would be getting people there.

Mr. Johnson: Yes, I like the concept of advertising and promoting. I don't think there is much advantage in having a ministry booth at the fair.

Hon. Mr. Grossman: My limited experience with fall fairs is that they're community-oriented and I don't think a Queen's Park booth would add very much to the local flavour and colour.

Mr. Johnson: But to promote and advertise fall fairs is a good idea.

Mr. Eakins: Natural Resources has made a great contribution to many of the fall fairs. I know at the one in Lindsay, which is quite a good-sized fair, Natural Resources has an excellent display. It's very educational and adds a tremendous amount to the fair.

Hon. Mr. Grossman: I agree. That's the type of booth that should be there. I wouldn't want to see a "We Treat You Royally" type of booth there. It would be too commercially oriented for the flavour of most of them, although some dollars do change hands at some of those fairs. In any case, I hope I will be invited to the Lindsay fair next fall.

Mr. Eakins: I'll see to that.

Mr. Chairman: Do you have any further comments, Mr. Watson?

Mr. Watson: Probably, but I'll give somebody else a turn.

Mr. Laughren: I must confess, I've never done much study of the tourist industry and I'm learning something. I've been doing some reading too, in the last little while. Bud Wildman was supposed to be sitting in on these estimates, but I'm sitting in for him.

Hon. Mr. Grossman: Where is he tonight?

Mr. Laughren: I think he's drinking himself into a stupor tonight.

Mr. Chairman: Very good, I'll buy that.

Mr. Laughren: Anyway, that's a diversion. It's not really what I wanted to talk about. You might understand.

Mr. Eakins: Your remarks have a lot of credibility.

Mr. Laughren: I did want to talk briefly about the tourist industry. My knowledge isn't of great depth, but I'm always surprised at how big an industry it is when I see the figures about the number of jobs and the dollars spent and the incredible deficit we have.

They can actually figure out what percentage of Canadians' travel demand is satisfied in Canada and what percentage of US travel demand is satisfied in Canada. Ontario being

the key province, this is appropriate to Ontario. There are two figures. In 1971, 74 per cent of Canadian demand for travel was satisfied in Canada and in 1977, the figure was only 60 per cent. It dropped 14 per cent in six years. If you look at the figures for satisfying US demand for travel, in 1965 it was 25 per cent, in 1967 it was 31 per cent—and I assume that was because of Expo—and in 1977 it was down to 20 per cent. It dropped from 25 per cent to 20 per cent in 12 years.

That's very significant when you consider that is the US demand for travel satisfaction. It's not surprising that our deficit in travel in this country is over a billion and a half dollars. Those are very serious figures. I don't mean to belittle any of the suggestions about farm tourism and so forth—I think they are good suggestions—but that kind of approach isn't going to be enough to turn it around and these people weren't suggesting that. It is going to require a major effort.

I have read the report of the task force on the Canadian tourism industry, the one on which Mr. Boyer sat with such distinction. One of the things they say is that we have "confused and overlapping taxation policies, inadequate planning and co-ordination of government policies and little communication with the private sector." That's what they say about tourism. I'd be interested in knowing whether the minister agrees that we have this kind of problem between government and industry in the tourist industry.

[10:15]

There are some conflicting things in this report too. In one case, they say "keep government out of the industry, leave us alone, there's too much government red tape" and that sort of thing. The next minute they're talking about the need for more government involvement, interface and so forth. I wonder which they really mean. It would be interesting to hear what the government has to say about that.

I would be very interested in knowing the minister's comments on the quote that I read from the report the other day from that task force on which Mr. Boyer sat. The report said the present scale of unemployment insurance benefits and social welfare payments sapped the general desire to work. It recommended that a thorough review of unemployment insurance benefits and the scale of welfare payments be undertaken relative to employment appropriately remunerated.

I would like to know whether or not the minister agrees with those mean and miserable comments. It's obvious that the people

who make those comments aren't working at the wages of the people who are working in the tourist industry or who are receiving unemployment insurance or welfare payments. It's fine to pontificate from an expenses-paid trip to Ottawa in a hotel room or a nice government office in Ottawa that these are your views. I would like to know how you justify them. I would hope that the minister would dissociate himself from those silly comments that have no place in a serious study on the tourist industry.

If we can only build the tourist industry on the backs of people who are already at the bottom of the socio-economic scale, then you'll do it without my co-operation. I think that the people of Ontario are not interested in that either. I'm disappointed that a member from the Ontario Ministry of Industry and Tourism ministry would not have a dissenting opinion in the report. I can't find it if it's there. Mean and miserable is what I mean when I talk about that too.

I don't have much time, but there are two other points. One is the whole question of a conflict between tourism and other aspects of the minister's portfolio. I think they are serious conflicts. There is the whole question of what happens with other ministries. The Ministry of the Environment makes certain rulings, for example, on the Inco emissions from the superstack. The ramifications of that to the tourist industry are just enormous. There are federal studies, and the local organizations up there have done some work that show what it's doing to the fish population in the area. The acid rain problem is a serious problem with tourism.

There's a real conflict between the ministries of government. Everybody knows there are certain trade-offs. I wonder at what point this ministry is prepared to say that tourism is an important industry. As a matter of fact, it's so important that this government at least partly funded, though I don't know what proportion, the study on the fishing and hunting lodge industry in northern Ontario. The information I got was that the Ministry of Northern Affairs and NOTOA, the Northern Ontario Tourist Outfitters Association, funded this. Is that not true?

Mr. Boyer: Northern Affairs funded it, Mr. Laughren, and we participated in the management of the study.

Mr. Laughren: So there was a funding of it. Correct me if I am wrong but was the cost \$90,000?

Mr. Boyer: Yes, sir.

Mr. Laughren: It cost \$90,000. What it told you the people in this room have been

telling you tonight, and that wouldn't have cost you \$90,000. It's not a good report.

Mr. Boyer: That's not it, sir.

Mr. Laughren: This isn't it?

Mr. Boyer: No. It's not complete, Mr. Laughren. That was what was presented in Sudbury early in December.

Mr. Laughren: This didn't cost \$90,000. Where is the \$90,000 study?

Mr. Boyer: It is not released yet. We are still waiting for the complete recommendations.

Mr. Laughren: I see. That's very interesting because the recommendations in here certainly don't justify that kind of cost. They don't tell us very much.

I would be very interested in knowing what the minister thinks about that whole conflict of tourism and industry because, in your own ministry, there is a conflict. I don't believe that you separate it into several ministries. That's not what I am saying. I am saying it's a recognizable conflict and one with which you have to live. I understand that. But I think that you had better take a serious look when you allow emission standards to be relaxed as they were in Sudbury and what it's doing to the whole tourist industry. It's very serious and it has very long-run and wide-reaching implications. Hundreds of miles of northern Ontario are being affected by this action and it's not good enough to say: "Well, we do what we can." That's not acceptable.

I know you have got two priorities in this area, too. One is to stimulate tourism and the other is to create jobs and you are going to tell me that you are doing both. Well, you are not doing both when you allow emission standards to be relaxed the way your government has in Sudbury.

The last comment I wanted to make was on the hostelry institute, if that's what it's called. I am concerned about that because you already have in place the community colleges. I feel very strongly that's where that should be done. I don't believe that you should have a hostelry institute run by the private sector or funded—

Hon. Mr. Grossman: Heaven forbid.

Mr. Laughren: Well, not because it's the private sector but because you already have the vehicle there in the community colleges and they can do the job. They want very much to do the job. They are most anxious. Not to allow them to do it, I think, is not fair. Maybe there has been a clear, precise, unequivocal statement by the minister about it but I haven't seen it—a statement that once and for all lays to rest talk about the hostelry

institute and tells the colleges that it's their responsibility. Well, I will be quiet and ask the minister to respond to those few comments.

Hon. Mr. Grossman: With regard to the last one, I quite agree that the place for the hostelry institute is within the community college system and it will be there.

Mr. Laughren: Have you communicated that to them?

Hon. Mr. Grossman: Oh, yes. The discussions are well under way. As a matter of fact, I was expecting them to be completed almost momentarily; if not before 10:30, then certainly within the next couple of weeks.

Mr. Laughren: Then why don't we just consider this to have accomplished it?

Hon. Mr. Grossman: But, quite seriously, we are quite close to an agreement there. I feel our ministry has played quite a major role. Meetings have been at the deputy level; that is, meetings with the private sector people who want to participate and provide their expertise; and with the community college people concerning converting an entire building into a hostelry institute. We hope to have something on that. In the not-too-distant future, an announcement will be made by my colleague, the Honourable Bette Stephenson. But at this time I wanted to make clear my ministry's participation in the whole exercise. Also, I might say that my colleague will be happy to know what confidence you have in her and her community college system.

Mr. Laughren: Well, I was part of it. I could hardly deny them. But they are not what they used to be.

An hon. member: They are a lot better.

Hon. Mr. Grossman: Quite properly, you are free to question whether or not tastes are being satisfied in Canada. I made some of these very points and I am surprised you missed that speech—

Mr. Laughren: I try and miss some of them.

Hon. Mr. Grossman: —both at the first ministers' conference on the economy and, earlier, at the federal-provincial conference of tourism ministers. Just to mention a couple of the points, because time is running out, we referred to the fact that tastes have changed over that period of time. We identify some of these.

Mr. Laughren: I didn't ask.

Interjection.

Hon. Mr. Grossman: That isn't difficult now. We settle for half and half, by the way.

The tastes have changed, and clearly some of those changing tastes have reflected an increased demand for destination resorts, which we have talked about earlier, and theme parks—which are highly successful places in the United States.

We must say that was one of the great motivations behind our support of the theme park in Maple. Specific emphasis more recently has been placed upon the desire of tourists for specific recreational activities in places where the focal point of all their activity was some specific recreational endeavour. We have identified those changing tastes. I think proof of all that is the fact the 1967 Expo figures were dramatically different from the years before and after. Indeed, one of the reasons tourism from the United States to Canada fell off in 1976 was the bicentennial.

Clearly, there are those changing tastes and we are trying to respond to them quite seriously by concentrating our efforts on those areas we have talked about; destination resorts, theme parks, and specific recreational attractions. It is going to require some public money, together with, we hope, private sector participation.

We are also looking at those specific attractions, which appear to attract people, such as the rather successful experiment they have had in both Alberta and British Columbia in terms of some sort of province-wide attraction. What do they call it?

Mr. Boyer: Stomp around Alberta.

Hon. Mr. Grossman: Stomp around Alberta, yes, sir.

Mr. Laughren: And the vineyards in Niagara.

Hon. Mr. Grossman: So we identified that and it is something we are working at.

Oh yes, I did want to clarify the participation of Fred Boyer on the Powell task force. Notwithstanding the way he was listed in there, he was a resource person, participating in the role of an observer. In fact, you will note on page 39—

Mr. Laughren: Yes, I certainly did.

Hon. Mr. Grossman: —they refer to provincial and territorial members.

Mr. Laughren: That is where I saw his name.

Hon. Mr. Grossman: That's right, but below that it talks about federal government observers. While it is not unusual for the federal government to do no more than observe, in this case that was precisely the role of the provincial members as well.

Mr. Laughren: No input into this study at all?

Hon. Mr. Grossman: Input in terms of resource, obviously.

Mr. Laughren: Did any of your people see this in draft form before it was brought out?

Hon. Mr. Grossman: I presume Mr. Boyer saw it in draft form before it was brought out.

Mr. Laughren: That is the point.

Hon. Mr. Grossman: It is not the point.

Mr. Laughren: It is the point.

Hon. Mr. Grossman: Regardless of whether he saw it or not, it was the responsibility of the private sector members listed there. He was not asked to comment on that draft report. It was sent by way of information at the stage at which they were writing the report.

Mr. Laughren: Weasel out of it that way, yeah. You saw the draft report and didn't object to what was in it.

Hon. Mr. Grossman: You know, you don't know that is what happened.

Mr. Laughren: I do know it.

Hon. Mr. Grossman: Oh, did Mr. Boyer tell you that?

Mr. Laughren: He didn't have to. There is no dissenting opinion, no statement, nothing.

Hon. Mr. Grossman: Perhaps the district manager of Air Canada, your close friend, told you that—

Mr. Laughren: I don't even know him.

Hon. Mr. Grossman: —or Garth Campbell, the vice-president of Via Rail—

Mr. Laughren: No.

Hon. Mr. Grossman: Who was it who told you that?

Mr. Laughren: I am not justifying what anybody else agreed to in that report either.

Mr. Chairman: I am calling the question.

Mr. Laughren: It is fundamentally wrong for you to be a part of that.

Hon. Mr. Grossman: I want to make the record clear. Fred Boyer was not a part of it. He was an observer. It is totally and patently unfair for you to hang any specific recommendation or any general recommendation on someone who was not authorized to, nor did, sign a report.

Mr. Laughren: I am hanging it on you, not Mr. Boyer.

Hon. Mr. Grossman: Me?

Mr. Laughren: Yes, you are the minister, you are responsible.

Hon. Mr. Grossman: No, I am not responsible. This is a federal government organized, private sectoral study.

Mr. Laughren: You had a chance to study it.

Mr. Chairman: Members of the committee, we have exactly one minute to complete—

Hon. Mr. Grossman: Good, I get the last word.

Mr. Chairman: —the estimates of the Ministry of Industry and Tourism. Vote 2204—

Hon. Mr. Grossman: Excuse me, Mr. Chairman.

Mr. Chairman: I'm sorry.

Hon. Mr. Grossman: To hell with it—I do want to take this opportunity to say, you are right, I do dissociate myself from those particular remarks to which you objected.

Vote 2204 agreed to.

Vote 2205, small business development program, agreed to.

Vote 2206, Ontario Place Corporation program, agreed to.

Vote 2207, industrial incentives and development program, agreed to.

Mr. Chairman: The 1978-79 estimates of the Ministry of Industry and Tourism are completed.

Before we adjourn gentlemen, we still have the Resources Development policy vote 1701, resources development program.

Vote 1701, resources development program, agreed to.

Mr. Chairman: Before we adjourn, Mr. Johnson had a petition to the minister.

Mr. McKessock: I have just one comment to make on Resources Development policy.

Mr. Chairman: Just wait until Mr. Johnson presents his petition.

Mr. Johnson: On the evening of December 12, I read into the record a petition of more than 1,000 residents of Caledon supporting the Cantrakon development. The minister requested a copy of the petition and I would like now to table it.

Mr. Chairman: Thank you very much, Mr. Johnson.

Mr. McKessock: did you have a few comments to make?

Hon. Mr. Grossman: As I receive this petition, I will arrange for copies to be circulated to the members of the third party for their information as well.

Mr. McKessock: I'm sorry the minister responsible for Resources Development policy isn't here.

Mr. Chairman: Mr. McKessock, we notified the minister we did not have sufficient time because we had two and a half hours left this evening for Industry and Tourism. We still had five hours and 20 minutes left.

Mr. McKessock: I am sorry because this part of the policy vote includes the Niagara Escarpment Commission and is the only place where you have a chance to talk on that issue.

Mr. Laughren: When did you start worrying about the escarpment?

Mr. McKessock: I'm worrying about the money they are spending. They are still spending more money on it and nothing has been accomplished.

Mr. Laughren: Are you sure you want to get into that?

Mr. McKessock: Yes I do. I have been into that for years; so has the Niagara Escarpment Commission.

Hon. Mr. Grossman: He's been into all sides of it for years.

Mr. Chairman: This is satisfactory Bob, isn't it? That's been pretty well—

Mr. McKessock: It's too bad we couldn't have something to say on the food land guidelines that have just come out too. It is interesting to see in regard to the food land guidelines, the government says they must go through the regular planning process, yet on the other hand that is not good enough for the Niagara Escarpment lands.

Mr. Chairman: Thank you very much. You can adjourn gentlemen.

Thank you, Mr. Minister and members of the committee. Merry Christmas.

The committee adjourned at 10:33 p.m.

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